AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4
ON STATE ADMINISTRATION

ASSEMBLYMEMBER WENDY CARRILLO, CHAIR

TUESDAY, MAY 3, 2022

1:30 P.M. – 1021 O STREET, ROOM 1100

We encourage the public to provide written testimony before the hearing. Please send your written testimony to: BudgetSub4@asm.ca.gov. Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted. All are encouraged to watch the hearing from its live stream on the Assembly's website at https://www.assembly.ca.gov/todaysevents.

The hearing room will be open for attendance of this hearing. Any member of the public attending a hearing is strongly encouraged to wear a mask at all times while in the building. The public may also participate in this hearing by telephone.

To provide public comment, please call toll-free:
877-692-8957 / Access Code: 1850 1100

VOTE-ONLY CALENDAR

ITEMS TO BE HEARD

VOTE-ONLY CALENDAR

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

VOTE-ONLY ISSUE 1: MICROSOFT OFFICE 365 ENTERPRISE LICENSE AGREEMENT

The Employment Development Department (EDD) requests $4.9 million in 2022-23, $5.7 million in 2023-24, and $6.2 million in 2024-25, totaling $16.8 million, split between the General Fund and the Disability Insurance Fund, to cover annual licensing costs associated with the Microsoft Office 365 Enterprise License Agreement (ELA).

The split between General Funding and the Unemployment Compensation Disability Fund for this request is outlined below:

Fund Source	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
State Operations - 0001 - General Fund	0	3,892	4,530	4,922	0	0
State Operations - 0588 - Unemployment Compensation Disability Fund	0	1,008	1,170	1,278	0	0
Total State Operations Expenditures	**$0**	**$4,900**	**$5,700**	**$6,200**	**$0**	**$0**
Total All Funds	**$0**	**$4,900**	**$5,700**	**$6,200**	**$0**	**$0**

*dollars in thousands

STAFF COMMENT

This item was discussed in Subcommittee 4 on February 22, 2022. As a follow-up to the hearing, the Administration provided the California Department of Technology's statewide Enterprise License Agreement and EDD's purchase order for reference. Staff does not have concerns with this proposal.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 2: AB 110 - FRAUDULENT CLAIMS FOR UNEMPLOYMENT COMPENSATION BENEFITS: INMATES

EDD requests $2,199,000 and 4.6 positions in 2022-23, $934,000 and 3.6 positions in 2023-24, and $720,000 and 3.5 positions in 2024-25, totaling $3,853,000 from the EDD Contingent Fund in order to administer the provisions of AB 110 (Petrie-Norris, Chapter 511, Statutes of 2021).

AB 110. This legislation, enacted in 2021, requires the Department of Corrections and Rehabilitation (CDCR) to provide the names, social security numbers (SSN), known aliases, birthdates, booking date and expected release date of current incarcerated individuals to EDD for the purpose of preventing payments on fraudulent claims for UI benefits. The bill also requires EDD to cross match that information before any payment of unemployment compensation benefits is provided. Finally, AB 110 requires EDD to complete necessary system programming or automation upgrades to allow electronic monitoring of CDCR inmate data no later than September 1, 2023

Planned Compliance with AB 110. Although EDD already leverages CDCR data to identify incarcerated individuals attempting to file for UI benefits, the current process requires manual intervention by EDD staff. In order to implement and comply with AB 110, EDD will establish an automated system to identify an individual's incarceration status to prevent and deter fraud. This BCP would cover the complete development, testing, deployment, and ongoing maintenance and support of the automated solution.

STAFF COMMENT

This item was heard in Subcommittee 4 on February 22, 2022.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 3: AB 397 – UNEMPLOYMENT INSURANCE: BENEFITS: DISQUALIFICATION: NOTICE

EDD requests $241,000 EDD Contingent Fund and one position in 2022-23 in order to administer the provisions of AB 397 (Mayes, Chapter 516, Statutes of 2021).

AB 397. Existing law provides that an individual may be disqualified from receiving UI benefits if they are found to have knowingly provided false information or withheld information when applying for benefits. This legislation, enacted in 2021, requires the EDD to provide notice and allow a claimant to dispute the potential disqualification prior to actually disqualifying an individual from receiving benefits. The legislation also requires EDD to implement the necessary changes by September 1, 2022.

Planned Implementation. To implement AB 397, the EDD would revise its notices to provide more information related to the false statement or misrepresentation, and provide claimants with an opportunity to respond. This BCP covers the development, testing, and deployment of new systems to accept, store, and use information provided by claimants.

STAFF COMMENT

This item was heard in Subcommittee 4 on February 22, 2022.

Staff Recommendation: Approve as Budgeted

7320 PUBLIC EMPLOYMENT RELATIONS BOARD

VOTE-ONLY ISSUE 4: INFORMATION TECHNOLOGY SECURITY MAINTENANCE AND TELEWORK SUSTAINABILITY

The Public Employment Relations Board (PERB) requests $416,000 General Fund and one position for 2022-23 and ongoing to enable PERB to comply with California Department of Technology (CDT) standards and information system modernizations.

Currently, PERB is using one staff member to manage all aspects of its Information Technology (IT). This proposal would allow PERB to hire an additional Information Systems Specialist in a civil service position through the newly developing IT Apprentice Program.

STAFF COMMENT

This issue was listed as a non-discussion item in Subcommittee 4 on February 22, 2022.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 5: ELECTRONIC FILING ACCESS FOR WORKERS' COMPENSATION COMMUNITY

The Division of Workers' Compensation (DWC) within the Department of Industrial Relations (DIR) requests $1.2 million from the Workers' Compensation Administration Revolving Fund for 2022-23, and $500,000 on-going, to support the purchase of software to enable stakeholders to e-sign documents and also for licenses to allow all users to electronically file documents. These resources will allow for all users to e-file their documents in the division's electronic adjudication management system (EAMS) and to allow users to electronically sign documents.

This funding is requested by DIR to comply with a recent Department of General Services requirement which establishes the legal validity of e-Signatures. Under this requirement, state departments and agencies must use electronic signatures in place of a wet signature unless prohibited by law.

STAFF COMMENT

This issue was listed as a non-discussion item in Subcommittee 4 on February 22, 2022.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 6: ENHANCED ENFORCEMENT AND COMPLIANCE (VARIOUS 2021 LEGISLATION)

The Department of Industrial Relations requests $10.4 million and 53.5 positions from various funds in 2022-23, $10.1 million and 53.5 positions in 2023-24, $9.8 million and 52.5 positions in 2024- 25, and $2.7 million and 13.0 positions in 2025-26 and ongoing, to implement the provisions of recently chaptered legislation:

- AB 701 (Chapter 197): Warehouse Distribution Centers
- AB 1023 (Chapter 326): Contractors and Subcontractors – Records: Penalties
- SB 62 (Chapter 329): Employment: Garment Manufacturing
- SB 606 (Chapter 336): Workplace Safety: Violations of Statutes: Enterprise-Wide Violations: Egregious Violations
- SB 727 (Chapter 338): Labor-Related Liabilities: Direct Contractor

<u>AB 701.</u> AB 701 requires warehouse distribution center employers to provide upon hiring employees a written description of each quota employees are subject to, including any potential adverse employment action that could result from failure to meet the quota. The bill provides that an employee shall not be required to meet a quota that prevents compliance with meal or rest periods or other occupational health and safety laws as specified. AB 701 also prohibits an employer from taking adverse action against an employee for failure to meet a quota that has not been disclosed or that does not allow a worker to comply with meal or rest periods or occupational health and safety laws. AB 701 requires the Labor Commissioner to enforce these provisions by engaging in coordinated and strategic enforcement efforts. The Division of Labor Standards and Enforcement (DLSE) would also collaborate with stakeholders to educate workers and employers about their rights and obligations under AB 701.

For this specific bill, DIR requests 11 positions and $2.2 million in Fiscal Year 2022-23, with $2 million in 2023-24 and 2024-25 from the Labor Enforcement and Compliance Fund. DIR additionally requests 1 position and $175,000 in 2022-23, with $164,000 in 2023- 24 and 2024-25 from the Occupational Safety and Health Fund. Those staff and resources would go to DSLE and Cal/OSHA for implementation, outreach, and enforcement of AB 701.

<u>AB 1023.</u> This bill clarifies the prescribed format that contractors and subcontractors must use when submitting certified payroll records, including how often electronic payroll records must be submitted. The bill also adds a monetary penalty for a contractor or subcontractor's failure to timely submit certified payroll records.

DIR projects that AB 1023 will have a significant impact on the workload of DLSE's Public Works unit. Approximately 25,000 contractors register with DLSE each year, and of those, approximately 15,000 are required to submit payroll records to DLSE. At present, 10,000 contractors are delinquent in their compliance with this requirement and would be subject to the penalty prescribed by the bill. DLSE estimates that levying the penalty on 50 percent of those delinquent contractors would result in 5,000 penalties levied per year.

DIR requests 27.5 positions and $5 million in Fiscal Year 2022-23, with $4.9 million in 2023-24 and 2024-25 from the Labor Enforcement and Compliance Fund to implement AB 1023.

SB 62. SB 62 updated California laws related to employment of workers in the garment industry. Specifically, among other things, SB 62 makes the common practice of "payment by the piece" prohibited except as an incentive bonus, creates a new category of entities called "brand guarantors" (any person contracting for the performance of garment manufacturing as defined), and introduces joint and several liability for payment of wages, reimbursement for expenses, and other compensation due, including interest, between manufacturers and brand guarantors. The bill also establishes joint liability for damages, and penalties between garment manufacturers and contractors.

In the preceding three years, DSLE received an average of 384 claims per year from garment workers. The division estimates a 25 percent increase in the number of claims received each year, projecting in 96 additional claims per year

DIR requests 4 positions and $893,000 in 2022-23 and $837,000 in 2023-24 and beyond to provide resources for DSLE to meet the requirements of SB 62.

SB 606. The California Occupational Safety and Health Administration (DOSH or Cal/OSHA), is responsible for protecting workers from health and safety hazards on the job. Prior to SB 606, DOSH has limited the scope of its inspections to individual workplaces, even if DOSH has received complaints alleging similar hazards at more than one work site operated by the same "chain" employer. SB 606 authorizes DOSH to issue a single, enterprise-wide citation that covers all of an employer's California work sites and requires the employer to abate the violation at all of its job sites statewide.

According to DIR, Cal/OSHA currently lacks sufficient staffing to absorb the work necessary to implement SB 606. Expected workload includes promulgating new regulations, and handling more complex litigation caseload, as egregious-violation citations can come with higher civil penalties.

DIR requests $615,000 and 2 positions in 2022-23, $588,000 and 2 positions in 2023-24, with $305,000 and 1 position in 2024-25 and ongoing from the Occupational Safety and Health Fund to provide resources Cal/OSHA to address the new requirements of SB 606.

SB 727. Existing law makes direct contractors on private construction projects jointly liable with any subcontractor at any tier for all unpaid wages, fringe or other benefit payment or contribution. SB 727 extends the liability to make direct contractors jointly liable for penalties and liquidated damages in addition to unpaid wages, fringe benefits, and labor trust fund contributions so long as specified conditions are met.

DIR expects that the bill would impact workload on claims of wages owed to workers employed by subcontractors who fail to pay their employees. Additional staff time would be required to determine who is a "direct contractor" for one or more projects a claimant worked on, to add defendants, provide statutorily required notice, obtain documents, and to prepare subpoenas seeking information held by direct contractors and subcontractors. Additionally, DIR projects increased workload for inspections performed on private construction worksites. BOFE investigations on construction worksites typically involve numerous interviews of workers who have worked on a number of different jobs for different general contractors in a short time frame

DIR requests 8 positions and $1.6 million in Fiscal Year 2022-23 and $1.5 million ongoing from the Labor Enforcement and Compliance Fund to provide resources for the Division of Labor Standards Enforcement (DLSE or Labor Commissioner's Office) to meet the requirements of SB 727.

STAFF COMMENT

This item was heard in Subcommittee 4 on February 22, 2022.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 7: CONTINUED SUPPORT FOR SUBSEQUENT INJURIES BENEFIT TRUST FUND

DIR requests $2.5 million and 15 positions in 2022-23, and $4 million and 24 positions in 2023-24, and ongoing, from the Workers' Compensation Administration Revolving Fund to address rising workloads in the Subsequent Injuries Benefit Trust Fund (SIBTF) program. DIR additional requests to convert 16 limited-term positions received from a 2019- 20 BCP to permanent, full-time positions.

Increased Caseload. According to DIR, several factors have led to a sharp increase in the number of SIBTF cases, including reforms and case law that have made it easier for applicants to meet threshold eligibility requirements, or employers that increasingly seek to shift partial liability to the SIBTF. DIR states that case inventory continues to rise, increasing from 6,796 in calendar year 2013 to 14,824 at the end of 2020. As a result, each workers' compensation consultant – staff members who are responsible for SIBTF claims – have an average caseload of approximately 797 cases. DIR explains that this caseload is highly unmanageable.

Workload history, as provided by DIR, is shown below:

Workload History

Workload Measure	2016	2017	2018	2019	2020	2021 (To Date)*
Beginning Case Load	8,461	9,832	10,030	11,026	12,996	14,824
New Cases	1,656	1,880	2,425	2,491	2,438	2,672
Cases Closed	314	1,702	662	279	334	439
Ending Case Load[3]	9,832	10,030	11,026	12,996	14,824	N/A
Annual Case Load Change	1,371	1,569	996	1,970	1,828	N/A

*as of July 14, 2021

STAFF COMMENT

This item was heard in Subcommittee 4 on February 22, 2022.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 8: WORKERS' COMPENSATION WORKLOAD

DIR's Division of Workers' Compensation (DWC) requests $933,000 and 5 positions in 2022-23 and $864,000 ongoing from the Workers' Compensation Administration Revolving Fund to increase staffing in DWC's Medical Unit.

Managing future data workloads. The DWC reports that currently, five positions are being used to keep up with the current workload of answering data requests, assisting and helping internal and external entities on research projects through mutual agreements, and monitoring, publishing, and maintaining numerous fee schedules that impact workers' compensation.

This proposal would bring additional staff to analyze new and incoming data from the electronic doctor's first report of occupational illness and from utilization review data collected from claims administrators. DWC explains it would be able to produce studies and reports, develop its own data, trends analysis, and forecasts, and work with other databases within DWC. As an example, DWC has been collecting comprehensive COVID-19 data since the start of the pandemic. With additional staff, the division can analyze the impact and trends of COVID19 and publish its findings and conclusions to help employers prevent and minimize the impact of the disease. Additional DWC would be able to respond to external data requests and assist other entities in their research.

STAFF COMMENT

This item was heard in Subcommittee 4 on February 22, 2022.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 9: OCCUPATIONAL SAFETY AND HEALTH APPEALS BOARD LEGAL STAFF

DIR requests $267,000 and one position for 2022-23, and $253,000 ongoing from the Occupational Safety and Health Fund for its Occupational Safety and Health Appeals Board Legal Unit to address an increase in petitions for reconsideration and writs of mandate required as a result of COVID-19.

About OSHAB. OSHAB adjudicates appeals that resulted from Division of Occupational Safety and Health (DOSH, or CalOSHA) citations. When an employer operating in California is found by DOSH to be in violation of a DOSH regulation, DOSH issues a citation or multiple citations to the employer. The employer can appeal the citation(s) to OSHAB.

OSHAB's legal team duties include calendaring relevant deadlines, reviewing administrative records and hearings, engaging in legal research, providing legal recommendations to Board members, drafting decisions after reconsideration, and drafting denials of petitions for reconsideration. The legal team also prepares, processes, and implements regulatory changes to the Board's rules of practice and procedure, through the state's rulemaking process. Finally, the legal team represents and defends the Board in court, at all stages of review, when a petition for writ of mandate is filed.

Increased Workload. According to DIR, when the Board began scheduling all hearings to be held remotely by video conference instead of in person due to the pandemic, 17 challenges to the video process had been filed. Each challenge has required the Legal Unit involvement because the employers have filed for petitions for reconsideration. Each challenge has created the additional work of the Legal Unit to prepare an analysis of the challenge, recommend appropriate action to Board and draft a decision embodying the Board's views. Employers have also filed 10 Writs of Mandate in various Superior Courts in California.

STAFF COMMENT

This item was heard in Subcommittee 4 on February 22, 2022.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 10: OCCUPATIONAL SAFETY AND HEALTH STANDARDS BOARD LEGAL PROGRAM SUPPORT

DIR requests $983,000 and five positions in 2022-23, and $914,000 ongoing from the Occupational Safety and Health Fund for the Occupational Safety and Health Standards Board (OSHSB) to assist with legal unit workload levels that have increased significantly over the past six years. These positions will help provide timely processing of variance applications.

Variance Applications. Among other responsibilities, OSHSB is responsible for adopting occupational safety and health regulations. As part of this role, OSHSB may also grant permanent variance from these regulations, if it determines that an applicant for variance has shown an alternate program, method, practice, means, device, or process which will provide equal or superior safety for employees. Any employer may apply with OSHSB for a variance. When variance applications are received, OSHSB staff review the application, prepare an evaluation and issue a recommendation. OSHSB may grant variances only after holding a hearing in which evidence is presented on the record.

Increased workload. OSHSB reports an increase in variance applications and in variance complexity (referred to as "uncommon variance". For example, in 2020, OSHSB received an application for variance from PepsiCo. for a first in the nation installation of an underground pressure containment unit that will require referencing building standards that are most similar to nuclear containment units. According to OSHSB, uncommon variance applications can consume significant amount of time, involve multiple technical expert witnesses, and involve thousands of pages of exhibits.

DIR hopes that the additional resources under this BCP will allow for improved processing of variance applications and faster scheduling of administrative hearings, decreasing the time from initial application to resolution by as much as four weeks. Legal review of proposed regulations will be able to proceed at pace with the Board's workload and eliminating bottlenecks.

STAFF COMMENT

This item was heard in Subcommittee 4 on February 22, 2022.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 11: REACHING EVERY CALIFORNIA CAMPAIGN

The Department of Industrial Relations (DIR) requests 2 positions and $650,000 General Fund in Fiscal Year 2022-23, and ongoing, to provide resources for the Division of Labor Standards Enforcement (DLSE or Labor Commissioner's Office) to expand its interdisciplinary outreach campaign "Reaching Every Californian" (REC)

In 2014, the Labor Commissioner's Office created an outreach campaign in multiple languages that partnered with community-based organizations, legal aids, workers centers, unions, industry associations, and employer groups to help educate the lowest-wage workers in the state and their employers. According to DIR, REC has four main initiatives:

- Workplace Rights Ambassador Project (WRAP): Building new relationships with community-based organizations who serve workers who experience access and functional needs and trauma survivors.

- Business Engagement Program (BEP): This is an effort to build common ground with responsible employers and develop pathways to lead development of cases that expose unfair competition. Show the LCO as a resource for law abiding employers and remind employers as to their obligations under California law.

- Wage Theft Is A Crime: A multi-media awareness campaign amplifying workplace protections and LCO resources. In addition to new materials, materials from the initial campaign will be revamped to be conducive to workers with low literacy levels and visual learners. Includes radio and digital ad campaign that targets worker populations and employers in areas the LCO does not service regularly.

- Workshops and Clinics: A partnership with community-based organizations to host online and in-person Know Your Rights and claims process workshops and wage clinics addressing basic workplace protections, mechanical processes, retaliation and judgment enforcement.

DIR requests additional resources for materials and a media consultant for creative design and monitoring of media spots. Additionally, DIR requests two positions, who will be responsible for relationship building with partners and internal team members; implementing the initiative programs such as WRAP, BEP and community workshops/clinics; following up with impacted workers; training; and developing content for materials.

STAFF COMMENT

This item was heard in Subcommittee 4 on February 22, 2022.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 12: CALIFORNIA NEW MOTOR VOTER PROGRAM TASK FORCE (AB 796)

The SOS requests $481,000 General Fund in 2022-23 and $466,000 General Fund annually thereafter to fund one IT Specialist II, one Research Specialist III, and one Associate Governmental Program Analyst to implement and administer the provisions of AB 796 (Berman, Chapter 314, Statutes of 2021).

AB 796. AB 796 requires a driver's license or identification card application, renewal, or change of address notification to include a voter registration application and would require the Department of Motor Vehicles (DMV) to transmit the application to the SOS according to specified deadlines. The bill would also require the DMV to monitor the timeliness of its transmittals to the SOS, and to provide the SOS information regarding delays and irregularities in its ability to do so. The bill would require the DMV and SOS each to designate an employee to undertake specified responsibilities to ensure compliance with the California New Motor Voter Program and the National Voter Registration Act (NVRA). The bill finally would require the SOS to convene a task force that would provide advice and perform other duties with respect to implementing the California New Motor Voter Program.

Proposal. Requested funding would primarily be to cover the expenses for the position of NVRA coordinator and the staff for the taskforce that the SOS is mandated to establish. A Research Data Specialist III is also being requested to work with the SOS' current VoteCal contractors to analyze the voter registration data and assume the responsibilities.

STAFF COMMENT

This issue was listed as a non-discussion item in Subcommittee 4 on March 1, 2022.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 13: CAMPAIGN DISCLOSURES: LIMITED LIABILITY COMPANIES (SB 686)

The SOS requests $566,000 General Fund in 2022-23 and $125,000 General Fund annually thereafter to support one Associate Governmental Program Analyst position and to incorporate the changes and new filing type to the California Automated Lobbyist and Campaign Contribution and Expenditure Search System (CAL-ACCESS) Replacement System (CARS). Those resources aim to implement SB 686 (Glazer, Chapter 321, Statutes of 2021).

SB 686. SB 686 requires a limited liability company (LLC) that qualifies as a committee or a sponsor of a committee under the Political Reform Act of 1974 to file a statement of members with the SOS. The bill would require the statement of members to include certain information about the LLC, including a list of all persons who have a membership interest in the LLC of at least 10% or who made a cumulative capital contribution of at least $10,000 to the LLC after it qualified as a committee or sponsor of a committee, or within the 12 months before it qualified.

Proposal. According to the SOS, due to o increased filing activity and assistance with increased filing complexity, one new full time AGPA position will be needed in the SOS' Political Reform Division (PRD). SOS notes that PRD staff are currently unable to handle these additional activities in a timely manner with existing resources. Initially, this new position will assist with integrating new required forms into the SOS's business practices as well as into CAL-ACCESS. These business practices include identifying filing requirements, identifying when this form will be considered late, drafting correspondence templates, and coordinating with other SOS staff to update filing and compliance activities. Integration into CAL-ACCESS will involve working with system developers and Project Management Office staff to ensure proper implementation. Once the form begins to be filed, this position will review filings that come in and assist filers as they file. This position will also refer these filings to SOS and FPPC compliance staff as appropriate.

STAFF COMMENT

This issue was listed as a non-discussion item in Subcommittee 4 on March 1, 2022.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 14: ELECTIONEERING REGULATIONS (SB 35)

The SOS requests one time funding of $50,000 General Fund in 2022-23 for temporary help to assist in the promulgation of regulations required by SB 35 (Umberg, Chapter 318, Statutes of 2021).

SB 35. SB 35 makes changes to the distance within which electioneering and specified political activities near a voting site are prohibited. This bill also extends an existing deadline for a candidate for Governor to submit tax returns to the SOS in order to have the candidate's name printed on the direct primary election ballot and makes changes to the process for submitting those documents.

Proposal. To comply with the provisions of SB 35, the SOS notes that it will be required to promulgate regulations specifying the manner in which notice regarding prohibitions on electioneering and activity related to corruption of the voting process to be provided to the public. The goal of those regulations will be to ensure the uniform statewide application of the law and the consistent application of the law. According to the SOS, it will need to work with county elections officials, voting rights advocates, and other stakeholders to promulgate and adopt these regulations. The regulatory process will take approximately six to twelve months and includes drafting the text of the regulations and reviewing with agency staff and stakeholders, public notice and publishing of the draft regulations, conducting public hearings, considering comments and drafting potential amendments to the regulations, and final adoption of the regulations. Resources requested would be directed to obtain temporary assistance in the creation of these regulations.

STAFF COMMENT

This issue was listed as a non-discussion item in Subcommittee 4 on March 1, 2022.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 15: ENSURING SAFE AT HOME APPLICATIONS AND MATERIALS ARE AVAILABLE IN ADDITIONAL LANGUAGES (AB 277)

The SOS requests $44,000 General Fund in 2022-23 and $9,000 General Fund annually thereafter to implement AB 277 (Valladares, Chapter 457, Statutes of 2021) which expands language access to the Safe at Home Program.

AB 277. The Safe at Home program, created in 1998, allows victims of domestic violence or stalking to obtain an alternate confidential address to be used in public records. The program has been expanded over time to include victims of other crimes – including sexual assault, human trafficking, stalking, and elder or dependent adult abuse. In 2002, the Safe at Home program was expanded to include reproductive health care services providers, employees, volunteers and patients who are fearful of their safety. The SOS is responsible for providing a substitute address for these victims while protecting their actual residential addresses, and also acts as the participants' agent for service of process, and forwards mail received at the substitute address. A participant must be certified by the enrolling office and may stay in the program for four years unless recertified.

AB 277 requires the SOS, beginning January 1, 2023, to provide application forms, notices, and explanatory materials related to the Safe at Home program available in at least five languages (English, Spanish, Chinese, Tagalog, Vietnamese, and Korean) and requires information about the Safe at Home program to be included on Judicial Council forms relating to domestic violence.

Proposal. Additional funding requested to implement program expansion would be directed to execute the following activities:

- Providing translation services for all supporting documents.
- Direct language translation services for members of the public or applicants who contact the SOS' Safe at Home program with questions and eliminate potential language barrier issues.
- Printing all informational brochures.

According to the SOS, staff resources needed to implement program expansion is estimated to be minimal and can be absorbed by the SOS.

STAFF COMMENT

This issue was listed as a non-discussion item in Subcommittee 4 on March 1, 2022.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 16: HELP AMERICA VOTE ACT SPENDING PLAN

The Secretary of State requests $3.7 million Federal Trust Fund in 2022-23 to continue implementation of the statewide mandates of the Help America Vote Act (HAVA) of 2002.

HAVA. The enactment of HAVA created several new mandates for California with respect to conducting federal elections. California met many of these requirements for the March 2, 2004, federal election, as required by HAVA; however, most of the HAVA requirements had an implementation date of January 1, 2006, or, in some cases, no later than the first federal election after January 1, 2006. California met the deadlines for implementing most of the new mandates but was successful in negotiating additional time for creating and implementing the required statewide voter registration database (VoteCal), which was deployed in August 2016.

Proposal. In 2021-22, the SOS was authorized to expend $22.735 million for voter education and training programs for election officials and poll workers, development and dissemination of voting information to increase voter participation and confidence, voting system testing and approval, county assistance for improving voting systems, implementing risk limit auditing, ensuring election assistance for individuals with disabilities, and improving the secure administration of elections. SOS proposes to expend $3.73 million for 2022-23 to continue these activities.

STAFF COMMENT

This issue was listed as a non-discussion item in Subcommittee 4 on March 1, 2022.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 17: HELP AMERICA VOTE ACT SPENDING PLAN – VOTECAL

The Secretary of State requests $10.2 million Federal Trust Fund authority in 2022-23 to cover the procurement costs of a new maintenance and operations vendor and data analysis, security assessment, Election Management Systems support and verification, data lines, security enhancements, and off-premises cloud costs for the statewide voter registration system, VoteCal.

VoteCal serves as the single system for storing and managing the official list of registered voters in the state. Additionally, HAVA mandates that the voter registration system utilize data that is contained in systems at the Department of Motor Vehicles, the California Department of Public Health, and the California Department of Corrections and Rehabilitation for voter identification or verification and list maintenance purposes. The VoteCal system also interfaces with the Employment Development Department to validate and correct address information against the U.S. Postal Service's National Change of Address system as required by state and federal law.

Proposal. The SOS requests additional Federal Trust Fund authority to support the procurement costs of a new VoteCal maintenance and operations vendor due to the current vendor's contract expiring; data analysis, security assessment, and Election Management and Systems support and verification contracts to analyze and support the VoteCal system for vulnerabilities and performance enhancements; increased connectivity costs with counties; and the maintenance of the VoteCal system on a CDT off-premise cloud environment.

STAFF COMMENT

This issue was listed as a non-discussion item in Subcommittee 4 on March 1, 2022.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 18: AUGMENTATION OF RENT FUNDING FOR THE SECRETARY OF STATE

The SOS requests $3.6 million in 2022-23 and $4 million annually thereafter, split between the Business Fees Fund and the General Fund, to cover rent cost of the March Fong Eu Secretary of State Building.

In 2014-15, the SOS received a total increase of $1.4 million to address a rent adjustment calculation when the bond on the SOS building was paid off and the SOS moved from an individual rate building to a Building Rental Account rate. As a result of the 2014-15 increase, the rent authority was $7.1 million to cover the March Fong Eu Headquarters Building in Sacramento. However, according to the SOS, the Department has paid an average annual increase of 4 percent in expenditures for rent of the March Fong Eu Building while not receiving a budget augmentation, which will create a $3.6 million deficit in the SOS' budget. To date, the SOS has absorbed these additional rental costs through a combination of deferred equipment purchases and savings generated by leaving positions vacant for Additional time. However, the SOS states that it is no longer able to absorb these costs.

Of note, the funding requested is only projected to cover rent costs through 2023-24. The Department projects that based on the annual increases, the gap between allotments and invoice will once again begin from 2024-25 onward.

STAFF COMMENT

This item was heard in Subcommittee 4 at its March 1, 2022 hearing.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 19: EXPANDING SPACE AND RESOURCES TO CALIFORNIA'S HISTORIC ARTIFACTS AND RECORDS

The SOS requests $1,005,000 General Fund in 2022-23 and $645,000 annually thereafter to support two positions and to convert existing storage space and expand protective measures for historic records housed in the California State Archives.

Of note, the 2021 Budget included $3.2 million General Fund in 2021-22, and $1.6 million annually thereafter, to automate paper-based processes and support increased online and contactless access to the State's historic public records and data held in the State Archives in response to the COVID-19 pandemic.

Proposal. The SOS notes that work is currently being done to provide broader online access to the State Archives' collections and services through the funding provided in 2021-22. However, the SOS points out to increased workloads and diminishing physical storage facilities, which have created the needs associated with historical records storage, access, and State Archives staffing. The following list outlines challenges identified by the SOS and how additional resources would address them:

- *Limited physical storage space for records and artifacts.* The current SOS records facility is approximately 85 percent full, with a combination of fixed shelving (unable to be moved) and mobile shelving (compact shelving that can be moved to accommodate more records). The SOS anticipates that the influx of records this year may fill approximately 5 percent to 7 percent of the remaining available space. Additionally, the SOS notes that artifact storage is currently at 69 percent capacity. Allocation of one-time funding to fully convert remaining fixed shelving ranges will allow the State Archives to add an additional 109 mobile shelving units to the existing storage space. This will double the number of years before the building runs out of storage space.

- *Limited scanned records available to the public on the SOS website.* The SOS notes that one-time funding was received in 2021-22 for a bulk digitization project. However, there is no dedicated ongoing funding for scanning paper records and physical items for public access. Digitization projects not only provide broader online access but may free up physical storage space with digital preservation copies of records. The SOS requests funding for ongoing digitization of State Archives artifacts and records, providing broader online and remote access to historical documents for the public. This would allow members of the public to view records and artifacts remotely.

- *Limited disaster recovery resources to repair physical historical records that arrive to the State Archives damaged.* The State Archives does not currently have a large freezer storage to prevent wet records that arrive to the State Archives damaged, from developing mold. The SOS requests onetime funding to allow the State Archives to purchase a freezer and equipment to repair physical historical records that arrive to the State Archives damaged, such as from wildfires or other natural disasters. The freezer and equipment will serve a dual purpose and will be a critical part of the check-in process for newly arriving records to ensure that there is no mold or pests with the records when they are added to the storage areas.

- *Limited staffing.* The SOS notes that it has limited funding and staffing for responding to public request, processing increased quantities of records and scanning records for remote access. The SOS requests allocation of ongoing funding and positions to add one Staff Services Manager II, one Digital Composition Specialist I to support larger and more diverse volumes of artifact collection materials, ongoing preservation support, education and exhibit information about historical records, and broader access for the public.

STAFF COMMENT

This item was heard in Subcommittee 4 at its March 1, 2022 hearing.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 20: California Business Connect Project

The SOS requests $8.1 million in 2022-23, split between the Business Programs Modernization Fund and the Business Fees Fund Modernization Fund to complete the California Business Connect project. SOS notes that the total project cost for 2022-23 is $9.7 million of which $8.1 million is new spending authority and $1.6 million represents costs to be absorbed within existing resources.

California Business Connect. The SOS has the responsibility for processing and filing important commerce and trade documents including business formations, changes, and terminations. Many business entity documents and information requests are submitted to the SOS via mail or in-person in Sacramento and Los Angeles. The SOS currently relies on several antiquated electronic and "paper" databases systems in order to process more than two million business filings and requests for information submitted on an annual basis.

The California Business Connect (CBC) Project is an SOS IT project that aims to automate paper-based processes, allowing businesses to file, request and access copies of records online and allow fee payments to be processed quickly. Several components of CBC have been implemented and currently providing services to business entities, as outlined below.

The SOS notes that it is nearing completion of CBC, and that starting in the last quarter of 2021-22, the project will move into the maintenance and operations phase.

Proposal. The 2022-23 funding request would support a contract for systems integration vendors, project management services, Independent Project Oversight, Independent Verification and Validation, Organizational Change Management, temporary help to backfill behind redirected staff, and other operating expenses related to the project. The consultants will also work with SOS staff on organizational change management planning. According to SOS, fee increases are not required to support the CBC project, as the fund to support the project exists through the fees currently paid by businesses for filings and services.

There is one remaining module to be implemented for CBC related to filing for Business Entities.

STAFF COMMENT

This item was heard in Subcommittee 4 at its March 1, 2022 hearing.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 21: BUSINESS PROGRAMS DIVISION PROCESSING TIMES

The SOS requests $5.3 million from the Business Fees Fund to support 47 positions, temporary help, and overtime cost to continue processing work for the Business Filings and Statements of Information until the California Business Connect system is fully implemented.

The SOS relies on several antiquated electronic and paper-based databases systems in order to process business filings. Until the California Business Connect Project (which is discussed in the section above) is fully implemented to provide automation for these processes, SOS requests funding to support positions, temporary help, and overtime cost to continue services that require manual workload and provide customer service for business, financial, and legal entities. According to the SOS, those resources will help SOS maintain its goal of five-business day turnaround times for business filings.

This request would provide an extension of the spending authority for positions, temporary help and overtime through 2022-23 to allow the SOS to lower and maintain average processing times of 5 business days in areas that still need manual processing until CBC is fully implemented.

STAFF COMMENT

This item was heard in Subcommittee 4 at its March 1, 2022 hearing.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 22: IMPROVING THE PROJECT MANAGEMENT OFFICE STRUCTURE, PROCESSES AND STANDARDS IN PROJECT MANAGEMENT AND PORTFOLIO REPORTING

The Secretary of State (SOS) requests 6 positions and $1,347,000 for 2022-23, and $1,317,000 annually thereafter, split between the General Fund and the Business Fees Fund to recruit and hire IT professionals to support election reporting, political campaign disclosure, business registration and filings, and the California historical Archives.

Project Management Office. According to the SOS, Project Management Office (PMO) within SOS was centralized under the executive leadership in 2016 to provide more visibility into the progress of information technology projects that include public facing elements; establish governance to address issues, challenges, and delays with project implementation; prioritize new technology investments and spending; and bring organizational changes and increase responsiveness for SOS services.

Currently, the PMO consists of 13 positions funded by the General Fund and Federal Trust Fund. Some of these positions have backgrounds in IT application support, IT-related areas, and non-IT related program areas. These resources are typically added into projects during the execution phase. Some may have had relevant IT experience to perform IT procurement, risk management, contractor management, and system development oversight work. However, there remains a significant gap in skills and resources with regards to project planning and execution. According to the SOS, the common practice has been to pair PMO state staff with contracted consultants to run projects. During project execution or implementation, state staff are primarily responsible for managing contracted workers who carryout projects and reviewing and approving project deliverables.

Proposal. This proposal will support the following projects:

1. CARS Project
2. CBC Project
3. VoteCal Migration
4. SOS EMS Certification
5. Increasing Access to California Historic Records
6. SOS Legal Division
7. Enterprise Portfolio Reporting

STAFF COMMENT

This item was heard in Subcommittee 4 at its March 1, 2022 hearing.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 23: SYSTEMS UNIT FI$CAL AUGMENTATION

The Secretary of State requests a permanent funding augmentation of $136,000 ($95,000 Business Fees Fund and $41,000 General Fund) in 2022-23 and $131,000 ($93,000 Business Fees Fund and $38,000 General Fund) annually thereafter to fund one existing, but currently unfunded, Associate Accounting Analyst position within the Systems Unit of the Fiscal Affairs Bureau. The funding will position the Secretary of State with the resources necessary to transact effectively and successfully in the Financial Information System of California.

The SOS transitioned to FI$Cal in July 2018. According to the SOS, transition challenges have caused delays in completing and submitting financial statements on time. According to the SOS, The additional full-time resource will improve timely and efficient submission of monthly and year-end financial statements. The newly established Systems team within the SOS' Accounting Section will take on responsibility for setting up accounting and tracking codes within FI$Cal and establishing cost allocation.

STAFF COMMENT

This item was heard in Subcommittee 4 at its March 1, 2022 hearing.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 24: SECRETARY OF STATE BUILDING SECURITY IMPROVEMENT

The Secretary of State (SOS) requests a one-time augmentation of $2,678,000 ($808,000 General Fund and $1,870,000 Business Fees Fund) for the completion of a multi-phased security improvement project, being implemented at the March Fong Eu Secretary of State Building Complex. These improvements are based on an updated security assessment performed by the California Highway Patrol (CHP) in the fall of 2021 and prior assessment by DGS and CHP in 2015.

Background. The March Fong Eu Building Complex, which serves as the SOS's headquarters, houses several public counters that are located throughout the building on various floors. According to the SOS, the physical design of the building poses an increased security risk to occupants and visitors as the building uses a very open concept that allows the public to move about throughout all common spaces, such as hallways, stairwells, corridors, and restrooms on each floor of the building unescorted and without benefit of interior security cameras in several areas. The SOS notes that prior security and crime incident events in the building have highlighted the need to reduce the deep access that an unescorted visitor has within the current security control points. DGS and CHP completed assessments in June 2015 to evaluate the facility's security. As a result, several improvements have been recommended to the building's physical barriers and other key components of the facility's security infrastructure.

Proposal. The security improvements at the SOS headquarters has been split into three phases as follows:

- Phase 1 -Video Camera and Card Key Access Upgrades
- Phase 2 – Public Entry Improvements and Distress Call Improvements
- Phase 3 – New Security Door Locations, Public Counter Modifications

Phase 1 completed construction in August 2017, Phase 2 is anticipated to be completed in April 2022, and Phase 3 is currently in the working drawing and design stage and the completion of this milestone is anticipated in late September 2022 with the drawings being submitted to the State Fire Marshal and the Division of State Architect for review and approval at that time. It is anticipated that construction on Phase 3 will begin in late spring 2023 or early summer 2023.

Phase 3 focuses on reducing the public access areas of the building to the center core of the building spaces near public elevators. To accomplish this, portions of the building - Floors 2 through 5 -will be restacked. Restacking will involve space planning, relocation, and construction as needed to efficiently move business units, including staff and equipment, to ensure best use of space while achieving the goal of moving all essential public services to the common center core of the building.

STAFF COMMENTS

Staff does not have concerns with this proposal.

Staff Recommendation: Approve as Budgeted

8620 FAIR POLITICAL PRACTICE COMMISSION

VOTE ONLY ISSUE 25: CAMPAIGN DISCLOSURES: LIMITED LIABILITY COMPANIES (SB 686)

The Fair Political Practices Commission (FPPC) is requesting one permanent position and $131,000 General Fund in 2022-23 and $124,000 annually thereafter to implement the provisions of Chapter 321, Statutes of 2021 (SB 686). SB 686 requires an LLC that qualifies as a campaign committee or a sponsor of a campaign committee under the Act to file a statement of members with the Secretary of State. The statement of members must include certain information about the LLC, including a list of all persons who have a membership interest in the LLC of at least 10 percent or who made a cumulative capital contribution of at least $10,000 to the LLC after it qualified as a committee or sponsor of a committee, or within the 12 months before it qualified. The FPPC anticipates an increase in the number of investigations on potential violations and in bringing appropriate enforcement actions against those in violation of the Act. This proposal would add one permanent position, a Special Investigator to conduct investigations for each complaint in relation to the LLC.

STAFF COMMENT

This issue was listed as a non-discussion item in Subcommittee 4 on March 1, 2022.

Staff Recommendation: Approve as Budgeted

8955 CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS

VOTE ONLY ISSUE 26: CEMETERY OPERATIONS

The California Department of Veterans Affairs (CalVet) requests five positions and $492,000 General Fund in 2022-23, and $483,000 General Fund annually thereafter, to support operational, custodian, and security requirements at the Northern California Veterans Cemetery (NCVC) and California Central Coast Veterans Cemetery (CCCVC).

CalVet requests to establish four 0.5 full-time equivalent Custodian positions and four 0.5 full-time equivalent Security Guard positions, two at each cemetery to allow for coverage of janitorial and security services. CalVet additionally requests an AGPA to provide ongoing administrative support for all cemeteries.

STAFF COMMENT

This issue was listed as a non-discussion item in Subcommittee 4 on March 15, 2022.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 27: FACILITIES PLANNING AND CONSTRUCTION MANAGEMENT STAFF

CalVet requests three positions and $515,000 General Fund in 2022-23, and $498,000 General Fund annually thereafter, to address the increased workload in facilities planning and construction management for Veterans Homes.

CalVet operates eight Veterans Homes that provide eligible veterans domiciliary programs. In addition to independent living, Veterans Homes may also provide assisted living, intermediate nursing care, and access to skilled nursing facilities. These facilities require ongoing maintenance and repairs to ensure veterans resident care is not compromised. Existing laws and regulations allows CalVet to provide pursue construction design work independently of DGS.

According to CalVet, the Department has only two staff positions with the technical knowledge needed to plan and oversee large maintenance and repair projects associated with the Veterans Homes. For example, such projects can include repair and maintenance of roofs, boiler room, and electrical systems. CalVet notes that as newer facilities begin to age and their building systems reach the end of their expected useful life, current staffing levels will not be able to manage the scope and size of projects needed to maintain CalVet facilities.

This proposal would provide CalVet with two Associate Construction Analysts that would be responsible for the management oversight, and implementation of the Department's architectural and engineering programs. CalVet also requests an Office technician to manage and track the various projects across CalVet facilities.

STAFF COMMENT

This issue was listed as a non-discussion item in Subcommittee 4 on March 15, 2022.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 28: NORTHERN CALIFORNIA VETERANS CEMETERY, IGO: COLUMBARIA EXPANSION

The California Department of Veterans Affairs (CalVet) requests $2,154,000 for the construction phase of the columbarium expansion project at the Northern California Veterans Cemetery in Igo, California. The scope includes the construction of 10 new columbaria, each consisting 100 niches on each side totaling 2,000 additional niches; new walk-ways, ramps, curb and gutters; landscaping; and irrigation. CalVet's pre-application for federal grant funds was accepted by the United States Department of Veterans Affairs (USDVA) Veterans Cemeteries Grants Program in July 2018, and when funded will provide 100 percent reimbursement of allowable costs.

STAFF COMMENT

This issue was listed as a non-discussion item in Subcommittee 4 on March 15, 2022.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 29: ADMINISTRATIVE SUPPORT

CalVet requests 10 positions and $1,562,000 ($1,508,000 General Fund and $54,000 Farm and Home Building Fund of 1943) in 2022-23, and $1,505,000 ($1,454,000 General Fund and $51,000 Farm and Home Building Fund of 1943) annually thereafter, for administrative support in the Homes, Legal Affairs, Administration, and Communications Divisions.

Homes Division. CalVet's Veterans Homes of California program offers long-term care to aged and disabled veterans as well as their eligible spouses and domestic partners. The Department operates eight homes across the state (Barstow, Chula Vista, Fresno, Lancaster, Redding, Ventura, West Los Angeles and Yountville) which provide a range of home-like services ranging from independent living programs with minimal support, to supervised assisting living, to 24/7 skilled nursing care. All eight homes are subject to state and federal regulatory licensing and oversight.

Since CalVet's expansion of three Homes to eight since 2009, the Department reports increasing challenges in navigating and maintaining compliance with state and federal clinical requirements. Specifically, dietary services staff are required by regulation, and Registered Dieticians (RDs) play a role in overseeing ensuring resident health and welfare. However, because RDs are highly specialized, recruitment can pose a challenge when the Homes have vacancies. Because RD services are required for operations, CalVet has occasionally struggled to identify temporary backfills.

As part of this budget request, CalVet requests a Clinical Oversight Registered Dietician. This position would support dietary compliance across all eight Homes, and backfill any temporary RD shortages and carry out responsibilities related to food and nutrition services.

CalVet also requests a Clinical Oversight Standards Compliance Coordinator (SCC), who would provide statewide support for its clinical compliance operations. The SCC will be responsible for conducting internal compliance audits, identify regulatory deficiencies, monitor program metrics, and take related actions to protect the resident health and safety.

Fiscal and Revenue, CalVet requests a position to serve as Chief Financial Officer (CFO) for the Homes. This position will be responsible for oversight of revenue collection statewide for the Department's Homes operations. According to CalVet, the Department manages several revenue streams, generally generated by U.S. Department of Veterans Affairs per diem and Aid and Attendance allowances, member fees, Medicare, Medi-Cal and other health insurance. Each revenue source is subject to its own eligibility criteria, compliance regulations, reporting and records requirements, and billing practices. CalVet notes there is no unified structure within CalVet to manage revenue collected by or on behalf of the Homes.

The CFO will be responsible for general oversight of the Homes' revenue programs. This includes conducting inspections and reviews of financial, business, and accounting practices in headquarters and at the Homes. Within the Homes, this will include reviews of USDVA per diem tracking and collection, invoicing, and adherence to accounting standards.

Legal Division, CalVet's Legal Affairs Division supports all of the Department's legal work, including representing CalVet in litigation. According to CalVet, existing staff resources are insufficient to represent CalVet adequately. The Department notes that in 2019-20, CalVet was sued in 19 separate actions. In 2020-21, CalVet was sued in 11 separate actions. CalVet is currently a defendant in 16 cases currently pending in Superior Courts throughout California. These cases are generally tort, contract, real property, and employment law matters, which the Department notes require representation by its most experienced attorneys.

As part of this budget request, CalVet requests three positions for its Legal Affairs Division: an Attorney IV to represent the Department in litigation, as well as a Legal Analyst and a Senior Legal Typist to provide litigation and administrative support.

Administrative Services Division. CalVet's Office of Procurement and Contracts (OPC) supports all of the Department's programs with the necessary non-information technology (IT) service contracts. Prior to the increase in the number of Homes, CalVet indicates that the contracting unit would process an average of 500 new and renewal contracts and service orders annually. Currently, OPC is exceeding 1,000 requests annually.

In 2018, OPC has also absorbed additional responsibilities, including operating the Small Business (SB) and Disabled Veterans Business Enterprise (DVBE) Advocate (Advocate). Those programs require performing outreach to the SB/DVBE community, and providing technical assistance on how to do business with CalVet. The Advocate is responsible for working with internal staff to locate certified SB/DVBE firms and processing proper paperwork for waivers if no firms are found.

To respond to the increased workload, CalVet requests two Associate Governmental Program Analysts (AGPA) for the Contracts Unit, who will be responsible for processing and developing non-IT service contracts for the eight Homes. Additionally, CalVet requests an upgrade of the AGPA Advocate position to a Staff Services Manager 1, which will continue reaching out to small business community, participate in outreach events, processing waivers, and create all data and reports on behalf of the Department.

Communications. CalVet's Communications Division is comprised of five staff members. According to the Department, this level of staffing is no longer sufficient to meet the graphic design, digital media, Americans with Disabilities Act (ADA) compliance requirement, event management, emergency response, and report production needs of CalVet.

The Department notes as an example that its Communications Division is not sufficiently staffed to produce the annual Homes' Master Plan reports due to the Legislature at the end of each year, which includes a Master Plan for the eight Homes every five years and one report for each Home in the intervening years. These annual reports require significant graphic design and digital layout, which require significant staff resources.
In addition, the Communications Division supports outreach efforts including an annual statewide conference and several regular annual outreach events to transitioning veterans; LGBTQ veterans; and women and minority veterans. In this area, the Communications Division produces media advisories, conducts stakeholder outreach, supports social media operations, and provides graphic design and printing. CalVet notes that due to increased workloads and lack of sufficient staff, the Department had to contract out for the CalVet Resource Book, which is normally completed by the Communications Division.

CalVet requests an additional Graphic Designer who will accommodate division requests for graphic art/design/video/branding that are otherwise being contracted out, such as the biennial CalVet Resource Book. CalVet notes that the position would provide sufficient staffing to accommodate the development and publication of required annual reports, without incurring significant overtime.

STAFF COMMENT

This item was heard in Subcommittee 4 at its March 15, 2022 hearing.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 30: CALVET ELECTRONIC HEALTH RECORD PROJECT: PHASE 3 CONTINUED

CalVet requests a one-time augmentation of $433,000 General Fund in 2022-23 for the third year of implementation of a new long term care electronic health record system (EHR) in the Veterans Homes of California and the Department's headquarters.

CalVet's long term care Homes are transitioning to updated EHR technology. Most long-term care facilities today use EHRs to complete and transmit required data to federally required repositories.

The Department began modernizing its EHR in 2016, working with the California Department of Technology (CDT) to submit a proposal for the CalVet Electronic Health Record (CEHR) system. The 2020 Budget Act included a one-time augmentation of $1,195,000 General Fund for the first year of the CEHR Project. The 2021 Budget Act provided an additional one-time augmentation of $10 million General Fund for the second year of implementation. CEHR is now active in six of the eight Veterans Homes. Of note, because CalVet encumbered the full budget authority from the approved 2021 Budget, only an additional $433,000 is needed in 2022-23 to complete Phase 3, which would implement HER at the two remaining homes in Redding and Fresno.

STAFF COMMENT

This item was heard in Subcommittee 4 at its March 15, 2022 hearing.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 31: CALVET TIMEKEEPING TOOL

CalVet requests $120,000 ($116,000 General Fund and $4,000 Farm & Home Building Fund of 1943) in 2022-23 and $270,000 ($262,000 General Fund and $8,000 Farm & Home Building Fund of 1943) annually thereafter for planning, procurement, implementation, and ongoing maintenance of CalVet timekeeping tool. This tool will replace the current paper process and will be used by all employees in the Veterans Homes of California, district offices, cemeteries, and headquarters. This request follows a 2019 Compliance Review report issued by the State Personnel Board (SPB), which found CalVet to be in violation of a timekeeping documentation process. Additionally, CalVet is currently going through another SPB audit and in review of this audit, CalVet will be in violation in the timekeeping documentation process, due to the inability to conduct a second monthly in-house leave usage audit required by the California Department of Human Resources policy and California regulations regarding accurate and timely leave accounting.

STAFF COMMENT

This item was heard in Subcommittee 4 at its March 15, 2022 hearing.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 32: HEALTH INFORMATICS SUPPORT

CalVet requests 4 positions and $657,000 General Fund in 2022-23, and $635,000 General Fund annually thereafter, to address the staffing needs of its Information Services Division (ISD). Two positions are for the CalVet Health Informatics Program unit (also known as Health Informatics) and two positions are for the Application & Development Services (ADS) unit. According to the Department, the positions are necessary to provide support for CalVet infrastructure, applications, websites, SharePoint sites, data analytics, healthcare system management, and maintenance of various environments.

STAFF COMMENT

This item was heard in Subcommittee 4 at its March 15, 2022 hearing.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 33: INFORMATION SERVICES DIVISION INFORMATION TECHNOLOGY REFRESH

CalVet requests $1,356,000 ongoing General Fund for information technology refresh. Refresh generally includes replacing current desktop computing devices (computers, printers, monitors, etc.); replacing core network infrastructure; and replacing medical IT equipment.

CalVet provides the table below outlining the number of devices by device type as well as the amount needed to refresh annually. CalVet notes that it needs a total of $2.1 million annually; however, in 2007-08, CalVet received $715,000 in annual refresh funding, representing 29 percent of the amount needed annually. Therefore, CalVet is requesting $1.4 million in additional funds per year to address this hardware refresh deficiency.

Device Type	Quantity	Refresh Cycle (Years)	Total Portfolio Value	Amount Needed for Refresh (Annually)
Computer	2215	4	$1,552,417	$310,483.40
Computer Peripheral	744	1	$156,021	$52,007.00
Desk Phone	2038	5	$798,394	$79,839.40
Display Hardware	3436	5	$634,875	$126,975.00
Laptop	318	5	$380,961	$76,192.20
Pharmacy Dispenser	20	7	$3,306,640	$330,664.00
Mobile Phone	549	3	$159,664	$53,221.33
Multifunction Printer	363	5	$964,415	$192,883.00
Network Appliance	305	7	$1,185,408	$169,344.00
Network Firewall	9	5	$196,787	$39,357.40
Printer	503	5	$300,671	$60,134.20
Scanner	172	5	$101,792	$20,358.40
Server	29	5	$459,989	$91,997.80
Storage Device	4	5	$344,573	$68,914.60
Tablets	466	4	$757,468	$189,367.00
UPS	129	5	$313,310	$62,662.00
Wireless Access Point	1675	7	$1,028,348	$146,906.86
		TOTAL	$12,641,733	$2,071,307.59

STAFF COMMENT

This item was heard in Subcommittee 4 at its March 15, 2022 hearing.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 34: INFORMATION TECHNOLOGY SECURITY OPERATIONS

CalVet requests 2 positions and $365,000 ($354,000 General Fund and $11,000 Farm & Home Building Fund of 1943) in 2022-23, and $354,000 ($343,000 General Fund and $11,000 Farm & Home Building Fund of 1943) annually thereafter, to improve the information technology security operations. The requested resources will fund overall information security program, including implementing new security solutions and mitigating security risks and incidents. CalVet notes that it does not have any full-time staff dedicated to technical security operations activities.

STAFF COMMENT

This item was heard in Subcommittee 4 at its March 15, 2022 hearing.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 35: HEALTHCARE FUNDING ADJUSTMENT

The California Department of Veterans Affairs requests a reduction of 3 positions beginning in 2022-23 and an augmentation of $216,000 General Fund in 2022-23, and $206,000 General Fund annually thereafter, as part of the census milestone reductions at the Veterans Home of California-Barstow as outlined in the 2021-22 Strategic Realignment of the Barstow Home and to address the need for permanent, full-time dental personnel at the Veterans Home of California-Chula Vista and Veterans Home of California-Fresno. The position realignment is provided below:

	Positions	2022-23	Ongoing
Barstow Home Realignment	-7	-$784,000	-$784,000
Fresno Dental Personnel	2	505,000	495,000
Chula Vista Dental Personnel	2	495,000	495,000
Total	-3	$216,000	$206,000

Background. CalVet created its California 2020 Master Plan after conducting a full-scale appraisal of every Veterans Home. The appraisal included assessments of levels of care offered, regional demand for services, hiring capabilities, infrastructure, and other characteristics necessary for strategic planning. Among its recommendations, the Master Plan proposed for the Barstow Home to align levels of care based on demand in the area. Proposed changes include closing domiciliary services, converting the dual-occupancy 60-bed Intermediate Care Facility to a single room 31-bed Residential Care Facility for the Elderly, and reactivating 20 suspended Skilled Nursing Facility.

Due to this realignment in the Barstow Home, CalVet will reduce seven positions, including 4 Residential Care Specialists, 2 Custodians, and 1 Food Service Technician. These positions are currently vacant and no layoffs are required.

CalVet notes that federal regulations require the Chula Vista and Fresno Veterans Homes to provide routine and emergency dental services, either in-house or through a third-party service provider. Due to longer than average dental visits at the Chula Vista home, CalVet requests $495,000 General Fund and ongoing for 1 Dentist and 1 Dental Assistant. Current staff at this home is comprised of 1 Dentist and 1 Dental Assistant.

Dental services at the Fresno Home is currently provided by an outside party. This means that residents of the Fresno Home must be transported to and from dental appointments. CalVet notes that transport can be challenging, particularly for residents with physical or cognitive impairment. CalVet believes that contracted workload can be performed effectively by civil service dental staff. To that end, CalVEt requests $505,000 General Fund in 2022-23 and $495,000 annually thereafter for 1 Dentist and 1 Dental Assistant at the Fresno Home.

STAFF COMMENTS

Staff does not have concerns with this proposal.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 36: REAPPROPRIATIONS OF FEDERAL AMERICAN RESCUE PLAN ACT FUNDING

The Administration requests reappropriation of federal American Rescue Plan Act (ARPA) funding from the 2021 Budget Act to provide CalVet additional time to spend the remainder of the funding on planned projects. The funding is proposed to be available for encumbrance or expenditure until September 30, 2023 and include the following:

1. Up to $8,172,000 in Schedule (3) – Veterans Homes of California at Yountville
2. Up to $1,434,000 in Schedule (4) – Veterans Home of California at Barstow
3. Up to $3,384,000 in Schedule (5) – Veterans Home of California at Chula Vista
4. Up to $5,143,000 in Schedule (6) – Veterans Home of California at California - Greater Los Angeles - Ventura County
5. Up to $1,966,000 in Schedule (7) – Veterans Home of California at Redding
6. Up to $3,325,000 in Schedule (8) – Veterans Home of California at Fresno

The requested reappropriations would be used for the Veterans Homes listed above to fund various projects and purchases, including but not limited to, replacing old equipment, flooring, furniture including new beds and mattresses for the residents, paid overtime, updating nurse call systems, and COVID supplies.

STAFF COMMENTS

Staff does not have concerns with this proposal.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 37: BUSINESS MODERNIZATION AND RESPONSIBLE BEVERAGE SERVICE

The Department of Alcoholic Beverage Control (ABC) requests 4.0 positions and an increase in expenditure authority of $2,799,000, Alcohol Beverage Control Fund in 2022-23 and 2023-24, $2,299,000 in 2024-25, and $1,799,000 ongoing, for support costs following the completion of the Responsible Beverage Service project, as well as continuing support of ABC's business modernization efforts.

Background. ABC is responsible for the licensing, education, and enforcement of the manufacturing, sale, and service of alcoholic beverages. Over the years, ABC undertook two major IT modernization projects: eServices, which aimed to register, manage, and maintain all licenses under the Department; and Responsible Beverage Service (RBS), which is a statutory requirement established in 2017 requiring all alcohol services to receive training within 60 days of their employment date. After considering project timing and technology requirements, ABC decided to merge these two projects into a broader modernization effort now known as the Business Modernization and Responsible Beverage Service Project (BizMod/RBS).

In 2019-20, ABC received the first phase of funding for the BizMod/RBS project. This funding was requested and approved before final project approval was secured in order to meet associated deadlines set in statutes.

In 2020-21 and 2021-22 ABC received additional funding based on updated project cost estimates, as well as resources to execute additional functionality such as extension of electronic payment, notifications, and online license renewal and application.

In order to minimize risks and ensure that statutory deadlines are met, ABC made the decision to focus on completing the RBS project first before moving on to the eServices portion. In March 2021, ABC went live with RBS and met the project objectives by its target date of June 30, 2021. The scope of the formal project did not include the full implementation of all proposed eServices functionalities. ABC notes that these improvements will be made incrementally.

This funding proposal has two major components:

1. Staffing: This proposal would fund six existing positions included in each of the three previous years of funding. This proposal would add an additional three positions that would otherwise need to contracted out. The proposal also adds a Records Manager position that would be responsible for managing the ABC's transition from paper to electronic records.

2. Development Contract: This proposal includes funding to continue level of resources to fund contract developers and provide ABC with capacity to develop online licensing services, expand additional functionalities, and provide ongoing maintenance and support for services in production.

STAFF COMMENT

This issue was listed as a non-discussion item in Subcommittee 4 on March 15, 2022.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 38: SAN JOSE, SAN DIEGO, AND STOCKTON DISTRICT OFFICE RELOCATIONS

ABC requests an increase in expenditure authority to support increased rent costs related to the relocation of the San Jose, San Diego, and Stockton district offices. These three offices are required to move to private buildings because the state buildings within which they currently reside have been moved into the surplus process by the Department of General Services. ABC notes that its operating budget does not contain sufficient funds to absorb the anticipated costs related to these office relocations. As such, ABC is asking for additional expenditure authority of $254,000 Alcohol Beverage Control Fund in 2022-23, $439,000 in 2023-24, and incremental increases over the next four years, to address the assumed annual increases of four percent in rent costs for the Department and to avoid the need to redirect funds from the licensing and enforcement programs these facilities support in the San Jose, San Diego, and Stockton regions.

The San Jose, San Diego, and Stockton State Buildings have been on the decline, leading DGS to pursue new office locations that will allow ABC to maintain an appropriate presence in those regions. DGS proposes to relocate the ABC office in San Jose by December 31, 2022, the office in San Diego by October 1, 2022, and the Stockton office by December 31, 2022.

STAFF COMMENT

This issue was listed as a non-discussion item in Subcommittee 4 on March 15, 2022.

Staff Recommendation: Approve as Budgeted

0840 STATE CONTROLLER

VOTE ONLY ISSUE 39: AFFORDABLE CARE ACT WORKLOAD

The State Controller's Office (SCO) requests 4.0 permanent positions and $500,000 ($300,000 General Fund, $200,000 Central Service Cost Recovery Fund) in 2022-23 and ongoing to support compliance with provisions of the Affordable Care Act (ACA).

Under the ACA, applicable large employers must offer minimum essential health care coverage to their full-time employees. As such, these employers are subject to information reporting responsibilities regarding coverage offered to employees. There are significant penalties for non-compliance if an applicable employer fails to offer health coverage to at least 95% or if the employer reports data incorrectly.

As an applicable large employer, California, through the SCO, implemented processes to ensure health benefits meet the ACA definitions and are offered to a minimum of 95% of the state's federally qualified full-time employees and their dependent children. In 2015, the SCO received 1.6 two year limited-term positions to support ACA-related workload and began efforts to collect required data. In 2016-17, the SCO received funding to support 5.7 two year limited-term positions to continue this work and implement business processes and system changes to comply with reporting requirements. In 2018-19, the SCO received and additional 6.0 permanent positions and 4.0 four-year limited-term positions. Workload for the ACA team includes generating corrected 1094-C and 1095-C records for 2015, 2016, and 2017, and developing a process to appeal IRS ACA penalty B assessments. The SCO is requesting 4.0 additional positions to support the ongoing maintenance of the ACA program and implement and accommodate additional system changes to maintain compliance with the federal ACA.

STAFF COMMENT

This issue was listed as a non-discussion item in Subcommittee 4 on March 15, 2022.

Staff Recommendation: Approve as Budgeted

VOTE ONLY ISSUE 40: AUDITS OF CALIFORNIA CANNABIS TAX FUND

The SCO requests $502,000 in 2022-23 and $489,000 in 2023-24 and ongoing from the California Cannabis Tax Fund (CCTF) to support 3.0 existing permanent positions to begin performing audits of the CCTF as required by Proposition 64.

The Control, Regulate and Tax Adult Use of Marijuana Act (Proposition 64) enacted in November 2016, allows adults of years of age and over to grow, possess, and use cannabis for recreational purposes. Proposition 64 created two new taxes, one levied on cultivation and the other on retail price. The measure allocates revenue from these taxes for drug research, treatment, and enforcement; health and safety grants addressing cannabis; youth programs; and preventing environmental damage resulting from illegal cannabis production.

Proposition 64 requires the Controller to periodically audit the CCTF to ensure that those funds are used and accounted for in a manner consistent with California law. The SCO would begin audit operations in 2022-23, which would include performing risk assessments and evaluations, designing the audit program structure, and identifying the necessary audit parameters to ensure that all expenditures comply with statutory requirements.

STAFF COMMENT

This issue was listed as a non-discussion item in Subcommittee 4 on March 15, 2022.

Staff Recommendation: Approve as Budgeted

0968 CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

VOTE-ONLY ISSUE 41: DEVELOPMENT AND COMPLIANCE SECTIONS WORKLOAD

The Governor's budget requests an increase for the California Tax Credit Allocation Committee (CTCAC) of $1,423,000 for 2022-23 and ongoing to hire eight new staff members; six Associate Governmental Program Analyst positions, one Research Data Specialist I position, and one Staff Services Manager (Supervisor) position to accommodate workload increases.

BACKGROUND

The CTCAC's tax credits support several state agencies. Bond allocation is required for applicants to receive tax credits. The California Debt Limit Allocation Committee (CDLAC) is the issuer of tax-exempt bond allocation, therefore affected by CTCAC. Tax credits are a source of equity that is part of the capital stack for projects financed within the Housing Community Development (HCD) and California Housing Finance Agency (CalHFA).

CTCAC is responsible for administering the allocation of federal and state low-income housing tax credits (LIHTCs) for the development of low-income housing. Each year the amount of federal 9 percent LIHTCs allocated by the IRS is based on the product of a per capita factor and the state's population. An annual increase in federal LIHTCs available results in a higher volume of applications reviewed and thus a larger workload requirement. CTCAC is required by federal law to conduct at least three reviews of the applications during the housing development process. Due to the increase in the volume and complexity of the applications, workload has increased at each stage of review and staff have consistently been unable to complete the second of the three reviews in a timely manner. With the increase in applications beginning in 2020 and continuing, without additional staff, CTCAC staff will fall further behind in meeting its mandatory requirements resulting in delays to the project.

In addition, the CTCAC's responsibilities for compliance (over a 55 year period) grow with each additional project. In 2020-21, CTCAC had 70 authorized positions and of these 51 were filled. CTCAC notes that their ability to fill positions has been compromised by the pandemic and the need to recruit for positions that include significant travel.

STAFF COMMENTS

This item was heard at the March 8, 2022, hearing. At the hearing, concerns were raised about the current vacancies at CTCAC. Additional discussions with CTCAC provided insight about the difficulties in filling compliance officers during the pandemic. CTCAC is working to fill the current vacancies and the request for additional positions is necessary to keep up with the workload for compliance for the tax credits. CTCAC stated that compliance staff will likely increase each year. If the vacancy rates for compliance officers continues, additional positions should be not be granted.

Staff Recommendation: Approve as budgeted.

0959 CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

VOTE-ONLY ISSUE 42: BOND ALLOCATION PROGRAM WORKLOAD

The Governor's budget requests $1,036,000 for six permanent positions: 5 Associate Governmental Program Analyst positions and one Staff Services Manager I Specialist for 2022-23 and ongoing to accommodate workload for the California Debt Limit Allocation Committee (CDLAC) and its support areas.

BACKGROUND

CDLAC was established by Chapter 943, Statutes of 1987, in response to the Federal Tax Reform Act of 1986, which placed a cap on the volume of tax-exempt private activity bonds that could be issued within a state in a calendar year. CDLAC is the sole entity responsible to calculate the volume cap pursuant to IRS guidelines and allocate tax-exempt private activity volume cap for the State of California through a variety of programs including multifamily housing, single-family housing, tax-exempt facilities, and industrial development bonds.

The oversubscription of tax-exempt federal bonds required CDLAC to develop and implement a competitive system to provide equitable distribution of Bond Allocation throughout California. To maximize the allocation of tax credits, the California Tax Credit Allocation Committee and the California Debt Limit Allocation Committee adopted regulations aimed at increasing affordable housing production, containing costs, and maximizing public subsidy and benefit of the credits. The review time needed for this new competitive process more than doubled the staff hours it takes to process requests.

STAFF COMMENTS

This item was heard at the March 8, 2022, hearing. Staff has no additional concerns with this proposal.

Staff Recommendation: Approve as budgeted.

0984 CALSAVERS RETIREMENT SAVINGS BOARD

VOTE-ONLY ISSUE 43: FULL SCALE IMPLEMENTATION OF THE CALSAVERS RETIREMENT SAVINGS PROGRAM

The Governor's budget includes a General Fund loan of $6 million 2022-23 through approximately 2024-25 to provide resources for the Board and the CalSavers Retirement Savings Program to continue to operate, including funding for existing staff, employer compliance enforcement services through the Franchise Tax Board (FTB), external consultants, and marketing, administrative, and overhead costs.

BACKGROUND

Loan Funding and Revenue. This proposal requests an additional $6 million in loan funding beyond the initial $16,900,000 that has been drawn to-date. Approximately $8 million of loan funding has been spent through June 30, 2021, with approximately $9 million fund balance remaining at the beginning of 2021-22. Expenditures are expected to be just under $2.6 million in 2021-22 and $5.1 million in 2022-23. Based on projected revenue, the Board is expected to ask for a postponement of the loan repayment date beyond June 30, 2024 in the future, in addition to new loan funding to support the ongoing rollout and scaling-up of the Program through this BCP.

Budget Bill Language. CalSavers is also requesting Budget Bill language to allow for reassessment in the future should Wave 3 registration numbers meet the projection, and CalSavers and Finance determine that additional staff are needed at that time. CalSavers may need up to three additional full-time equivalent positions based on Wave 3 projections.

STAFF COMMENTS

This item was heard at the March 8, 2022, hearing, and no concerns were raised with the proposal.

Staff Recommendation: Approve as budgeted and adopt placeholder budget bill language.

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

VOTE-ONLY ISSUE 44: ADMINISTRATIVE RESOURCES

The Governor's budget includes $1.3 million (General Fund) and seven positions in 2022-23, and $836,000 (General Fund) and seven positions in 2023-24, and ongoing, to provide additional resources to support DFEH's administrative workload, including appeals, public records requests, media outreach, contracts and procurement, and accounting processes, and help administer a Statewide Hate Crime Hotline.

BACKGROUND

DFEH receives, investigates, conciliates, mediates, and prosecutes complaints of alleged violations of the Fair Employment and Housing Act (FEHA), the Equal Pay Act, the Unruh Civil Rights Act, the Ralph Civil Rights Act, Civil Code section 51.9, the Disabled Persons Act, the California Trafficking Victims Protection Act, and Government Code section 11135 et seq (prohibiting discrimination in all State-funded activities and programs). DFEH also collects and analyzes pay and demographic data from large employers pursuant to Government Code section 12999. DFEH affirmatively investigates discriminatory practices within the State in accordance with its statutory mandate "to eliminate discrimination in California."

In 2020, DFEH received 23,897 complaints from members of the public who alleged that their civil rights were violated. Of these, 13,707 were requests for an immediate "Right-to-Sue" in employment cases. 5,784 complaints were investigated by DFEH staff. As of January 2022 there were more than 7,235 open cases in DFEH's case management system pending investigation.

SB 170 (Committee on Budget and Fiscal Review, Chapter 240, Budget Act of 2021), appropriated $10 million to DFEH for the administration and implementation of a Statewide Hate Crime Hotline, with funds available for encumbrance and expenditure until June 30, 2025.

STAFF COMMENTS

This item was heard at the March 8, 2022, hearing, and no concerns were raised with the proposal.

Staff Recommendation: Approve as budgeted.

VOTE-ONLY ISSUE 45: PAY DATA ENFORCEMENT

The budget includes $716,000 (General Fund) and three positions in 2022-23, and $689,000 (General Fund) and three positions in 2023-24, and ongoing, to analyze pay equity data and produce reports on an ongoing basis by industry showing the progress, or lack thereof, in demographic representation and gender pay equity.

BACKGROUND

The Department of Fair Employment and Housing (DFEH) receives, investigates, conciliates, mediates, and prosecutes complaints of alleged violations of the Fair Employment and Housing Act (FEHA), the Equal Pay Act, the Unruh Civil Rights Act, the Ralph Civil Rights Act, Civil Code section 51.9, the Disabled Persons Act, the California Trafficking Victims Protection Act, and Government Code section 11135 et seq (prohibiting discrimination in all state-funded activities and programs).

Government Code section 12999 was established by SB 973 (Jackson, Chapter 363, Statutes of 2020). This law requires that, on or before March 31, 2021, and on or before March 31 each year thereafter, a private employer with 100 or more employees and who is required to file an annual Employer Information Report (EEO-1 form) under federal law to the Equal Employment Opportunity Commission (EEOC) must submit a pay data report to DFEH that covers the prior calendar year, or “reporting year.” All California employers with over 100 employees will be subject to this law. The law also authorizes DFEH to enforce the Equal Pay Act (Labor Code section 1197.5), along with the Fair Employment and Housing Act, to address pay discrimination.

The requested resources include a labor economist, research scientist and digital forensic specialist.

STAFF COMMENTS

This item was heard at the March 8, 2022, hearing, and no concerns were raised with the proposal.

Staff Recommendation: Approve as budgeted.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

VOTE-ONLY ISSUE 46: REQUESTS FOR STAFFING INCREASES

The Governor's budget includes two proposals that requests a total of 28 additional positions at HCD that are not related to legislation enacted in 2021.

BACKGROUND

1. ***Codes Field Operations Staffing Increase***. The budget includes an augmentation of $393,000 in state operations from the (Mobilehome-Special Occupancy Park Revolving Fund) to support three positions in 2022-23 and ongoing.

   HCD's 48 field inspectors are responsible for monitoring approximately 6,251 mobilehome parks, special occupancy parks, and 399,518 park lots throughout California. Since increasing workload continues to exceed current staffing levels, inspectors prioritize their workload based on the health and safety risk to the public, the statutory obligation, and the impact to consumers. HCD inspectors must focus their time on responding to all health and safety complaints and inspect all permitted work, which leaves numerous other types of health and safety inspections incomplete.

   The total number of field operations assignments has increased by 22 percent from 2014-15 to 2019-20 as homeowners emerged from the recession with more money for repairs but mobilehome park conditions continued to deteriorate. However, the number of field operations staff to complete the increase in workload remains the same.

2. ***Administrative Resources***. The Department of Housing and Community Development (HCD), requests $1,570,000 in state operations from the (General Fund) for 25 positions in 2022-23, and ongoing to support the Governor's priority of our various housing and homelessness programs. Specifically the positions:

   1. Accounting Branch - 2.0 positions - To address the increasing workload in the general ledger and accounts payable units and support ongoing financial compliance with federal and state guidelines.
   2. Business and Contract Services Branch (Contract Services) - 3.0 positions - To support HCD's ongoing purchasing, and service and local assistance contracting needs in relation to programmatic expansion and growth.
   3. Financial Management Branch (FMB) - 6.0 positions – To effectively centralize financial management of HCD's loan portfolio, forecasting, and ongoing reconciliation of programmatic financial data to align with reporting to the federal government and the accounting book of record (FI$Cal).

4. Human Resources Branch (HRB) - 2.0 positions - To support HCD's ongoing human capital business needs due to programmatic expansion and growth.
5. Information Technology Branch (ITB) – 9.0 positions – To support the expansion and growth of HCD's programs through the development of technological support and solutions, the maintenance of IT infrastructures, and addressing security concerns while mitigating against the risk of cyber security threats.
6. Internal Audits - 2.0 positions - To provide independent review and analysis of HCD's state, bond, and federal funds to ensure fiscal and programmatic compliance.
7. Organizational Development (OD) - 1.0 position – To support HCD's expansion and growth by developing its capacity for change and reinforce strategies to achieve operational efficiencies and promote transparency.

STAFF COMMENTS

This item was heard at the March 8, 2022, hearing, and no concerns were raised with the additional resources.

Staff Recommendation: Approve as budgeted.

VOTE-ONLY ISSUE 47: CONSOLIDATED HOUSING ACCOUNTABILITY APPLICATION PROCUREMENT PROJECT

The budget includes $6,713,000 (General Fund) in state operations for 2022-23, to improve its monitoring and management of loans and grants business programs through the procurement and implementation of a new enterprise Information Technology (IT) solution.

BACKGROUND

HCD oversees more than 80 programs and funding from application through closeout for construction, acquisition, rehabilitation and preservation of affordable rental and ownership housing, homeless shelters and transitional housing, public facilities, and infrastructure. The Department's overall budget has increased by 547 percent over the past four fiscal years, 57 percent of which is comprised of federal funding.

According to the Department, due to the limitations inherent in the legacy systems, staff have developed and use manual data collection workarounds such as Microsoft (MS) Excel spreadsheets and MS Word documents, often maintained in desktop environment or shared files with limited access. In effect, the Department has several decentralized shadow databases, which lack a database audit trail, create multiple conflicting versions of program data, and lack necessary controls to prevent common data-keying errors from being introduced to the systems. When the Department receives requests to provide program specific information, staff must consolidate and compare multiple data sources, including data extracts from CAPES, individually maintained spreadsheets, and other documents. This manual process is prone to human error and results in data gaps that impacts everything from accurate reporting on program outcomes to financial record reconciliation and can result in audit and monitoring findings.

STAFF COMMENTS

This item was heard at the March 8, 2022, hearing, and no concerns were raised with the additional resources.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 48: DIVISION OF STATE FINANCIAL ASSISTANCE BUDGET ADJUSTMENTS

The Governor's budget proposes to reappropriate $22 million from the Greenhouse Gas Reduction Fund to help meet the State's goals on building affordable and sustainable housing.

BACKGROUND

The AHSC program created in 2014 provides funding for land-use, housing, transportation, and land preservation projects to support infill and compact development that reduces greenhouse gas (GHG) emissions through the reduction of vehicle miles traveled and land conversion, minimizing GHG emissions by protecting land from further development. Funding for the AHSC program is provided from the Greenhouse Gas Reduction Fund (GGRF), established to receive cap-and-trade auction proceeds. HCD implements the AHSC under policy direction from the Strategic Growth Council (SGC). Funds are appropriated to SGC, and subsequently assigned to HCD to administer the program.

Only the first year of AHSC funds were appropriated through the budget in 2014. Beginning with the 2015-16 fiscal year, SB 862 continuously appropriates twenty percent of cap-and-trade auction proceeds to the Strategic Growth Council AHSC program. HCD has administered over $1.6 billion under the continuous appropriation. In recent years, the annual awards for the program have exceeded $400 million. HCD has awarded five rounds of funding, with the sixth round of awards scheduled for the first quarter of 2022.

2014 Budget Act Appropriation. The 2014 Budget Act appropriated $129,201,000 for first year loans and grants, as well as support funding, with an encumbrance and liquidation deadline of June 30, 2017. The liquidation date has been extended until June 30, 2022 through the 2018 Budget Act (Ch. 29, Statutes of 2018). For Round 1, the SGC approved $122,000,000 and 30 projects funded by the 2014 Budget Act appropriation.

The uncommitted balance of the 2014 appropriation is $16,577,952 due to cancelled projects and savings in the support budget. To ensure continued availability of these funds for housing, HCD requests an extension of the encumbering period in order to award these funds to new projects.

In addition, HCD needs an extension of the liquidation period to ensure that eight projects that are nearing completion will be able to fully disburse since current schedules of the projects indicate they will be disbursing during the six months prior to the liquidation date of June 30, 2022, estimated at about $6 million.

STAFF COMMENTS

This item was heard at the March 8, 2022, hearing. HCD provided the following about the eight projects that are currently under construction:

Additionally, after further discussion with the department, staff has no concerns with providing a continuous appropriation for the General Fund dollars from 2014 to allow for the re-award of previously disencumbered awards.

Staff notes that the extension of liquidation deadline extension from 6/30/22 to 6/30/24, according to HCD is for four projects not eight as previously noted in the BCP. Those projects include the following:

- 14-AHSC-10474 Broadway Family Apartments
- 14-AHSC-10475 Broadway Family Apartments
- 14-AHSC-10463 Anchor Village
- 14-AHSC-10469 Civic Center 14

Staff Recommendation: Approve as budgeted for the continuous appropriation and approve the extension of liquidation for the four projects outlined above.

ISSUE 49: CALIFORNIA SURPLUS LAND UNIT

Through a spring finance letter, the Department of Housing and Community and Development (HCD) requests $2,358,000 (General Fund) and 12 positions in 2022-23 and ongoing to establish the California Surplus Land Unit pursuant implement SB 791 (Chapter 366, Statutes of 2021), to facilitate agreements between local agencies and developers on surplus properties, collect and compile data on housing production on local surplus land, collaborate with state housing finance agencies, provide technical assistance, consultative and technical service to developers and local agencies, and prepare an annual report of its activities.

BACKGROUND

Enacted in 1968, the Surplus Land Act (SLA) requires local agencies (cities, counties, and special districts) that dispose of land no longer necessary for agency's use to prioritize affordable housing and parks before disposing of the land for other things. Chapter 664 Statutes of 2019 (AB 1486) made several amendments to the SLA including requiring local agencies, beginning January 1, 2020, to send notices about available surplus local public land to HCD, any local public entity within the jurisdiction where the surplus local land is located, and to developers who have notified HCD of their interest in developing affordable housing on surplus local public land. Beginning January 1, 2021, prior to agreeing to terms to dispose of surplus property, local agencies are also required to send a description of sent notices of availability, negotiations conducted, and a copy of any restrictions recorded against the property to HCD for review, using HCD forms and following HCD guidelines.

The complexity of implementing AB 1486 and providing technical assistance to local governments to inform local agencies of their obligations under the SLA has exceeded HCD's available resources. The assistance HCD provides is often time-consuming and politically sensitive, requiring engaging with matters of deep public importance. HCD implemented AB 1486 with three positions, limiting HCD's ability to produce guidelines, perform notices and disposition reviews, and provide technical assistance.

SB 791 creates the Unit within HCD upon appropriation of funds to establish the Unit. The primary purpose of the Unit will be to facilitate the development and construction of residential housing on land declared surplus under the SLA and land disposed of by the governing boards of local school districts.

STAFF COMMENTS

The resources requested in the budget change proposal are consistent with the appropriation analysis. Staff has no concerns.

Staff Recommendation: Adopt spring finance letter.

7730 FRANCHISE TAX BOARD

VOTE-ONLY ISSUE 50: SECTION 41 WORKLOAD EXPANSION

The Governor's budget requests $657,000 (General Fund) and four permanent positions in 2022-23; $610,000 (General Fund) in 2023-24; $760,000 (General Fund) and one permanent position in 2024-25; and $749,000 (General Fund) in 2025-26; and ongoing for the Franchise Tax Board. This will allow the Economical and Statistical Research Bureau (ESRB) to manage the increasing workload due to the volume of bills with a Revenue and Taxation Code Section 41 reporting requirement.

BACKGROUND

In 2014, SB 1335 introduced Section 41 into the Revenue and Taxation Code (R&TC). This legislation required any bill, introduced on or after January 1, 2015, that would authorize a personal income or corporation tax credit, to include specific goals, purposes, objectives, and performance measures to allow the Legislature to evaluate the effectiveness of the credit.

In 2019, AB 263 expanded Section 41 reporting requirements to include all tax expenditures. A tax expenditure is defined as a credit, deduction, exclusion, exemption, or any other tax benefit as provided for by the state. As a result of AB 263, beginning on January 1, 2020, data must be collected on any new tax expenditure bills in order to provide a standard method for the Legislature to periodically evaluate whether tax expenditures are providing the intended benefit to the State and its taxpayers.

As the department which receives tax information, most new bills now direct the FTB to provide relevant data to a designated entity, such as the Legislative Analyst's Office, to evaluate the benefits of the tax expenditure and complete the Section 41 report. Additionally, FTB could be the responsible entity to evaluate the tax expenditure as to its stated goal and issue a Section 41 report. Section 41 reports include analysis of data and baseline measurements to be collected and remitted in each year the tax expenditure is in effect. This allows the Legislature to measure the change in performance indicators which ultimately shows the goals, purpose, and objectives of the tax expenditure are being met.

STAFF COMMENTS

This item was heard at the March 22, 2022, hearing. The requested resources will allow FTB to complete the workload associated with Section 41 requirements.

Staff Recommendation: Approve as budgeted.

0515 BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY

VOTE-ONLY ISSUE 51: AGENCY WORKLOAD RESOURCES

The budget includes $1.5 million and seven positions in 2022-23, and ongoing to address the current and anticipated ongoing workload stemming from an increase in oversight and strategic coordination required to support existing agency programs along with significant growth in new program responsibilities, specifically in the housing and homelessness portfolio of programs.

BACKGROUND

The Business, Consumer Services and Housing Agency (BCSH) originally had nine departments under its oversight and 15 employees to manage its workload. Agency has grown to provide oversight to 11 departments and directly administers the Cal Interagency Council on Homelessness with 19 authorized positions. In addition to increases and changes in the number of organizations under Agency's umbrella, major housing and homelessness initiatives are underway and continue to be developed which have required significant additional oversight, hands-on input in crafting policy and implementation plans, and administration.

The Administration requests the following positions:

- Deputy Secretary of External Affairs (Appointee with position and funding temporarily provided by HCD)
- 1.0 Information Officer II
- 1.0 Agency Budget Manager – Staff Services Manager II (Position and funding temporarily from Cal ICH)
- 1.0 Senior Advisor (Position and funding temporarily from Cal ICH)
- 1.0 Deputy Secretary of Equity and Strategic Initiatives (Appointee with position and funding temporarily provided by DFPI)
- 1.0 Housing Policy Specialist – Staff Services Manager I
- 1.0 Office Technician Three of these positions - the Information Office II, the Housing Policy Specialist, and the Office Technician - would be new positions.

The two Deputy Secretaries, the Agency Budget Manager, and the Senior Advisor positions are currently-existing positions that have been administratively created and funded by redirecting budgetary resources from other departments. The Administration has indicated these positions have been funded by salary savings, rather than the transfer of existing positions.

STAFF COMMENTS

This item was heard at the March 8, 2022, hearing. In order to ensure that the agency has the correct resources, staff recommends providing ongoing positions and three years of funding. This will provide time to assess future agency needs.

Staff Recommendation: Approve ongoing positions with three years of funding.

7600 CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

VOTE-ONLY ISSUE 52: HOPE ACT: CALIFORNIA ELECTRONIC CIGARETTE EXCISE TAX

The Governor's budget proposes $1.4 million E-Cig Fund for 5.5 positions and 9,253.5 hours in 2022-23, $1.2 million for 3.8 positions and 12,026.5 hours in 2023-24, and $1.4 million for 3.5 positions and 15,253 hours in 2024-25 for mandated workload associated with SB 395, the Healthy Outcomes and Prevention Education (HOPE) Act.

BACKGROUND

Beginning July 1, 2022, the California Electronic Cigarette Excise Tax (E-Cig Tax) (Chapter 489 of the Statutes of 2021(SB 395)) imposes a new 12.5 percent tax upon purchasers on the sales price of electronic cigarettes for use in California. Retailers are required to collect the E-Cig Tax from the purchaser at the time of the retail sale of an electronic cigarette. Additionally, SB 395 authorized a General Fund loan of $3 million to be deposited into the California Electronic Cigarette Excise Tax Fund (E-Cig Fund) in fiscal year 2021-22 for the purpose of implementing the E-Cig Tax.

Implementation costs in 2021-22 include $2.5 million in contract services for reprograming CDTFA’s Centralized Revenue Opportunity System (CROS). The new tax requires the CROS functional areas be built by July 1, 2022, and adding this function is currently underway. Additional 2021-22 costs included 0.8 positions in Audit Support, and 2,629.5 overtime hours in various units to implement updates, notify taxpayers, and respond to inquiries from the public.

Additional workload related to the administration of the E-Cig Tax falls under the following categories:

- **Compliance.** To ensure compliance with the E-Cig Tax legislation, CDTFA is mandated to perform registration and licensing, return processing, and collection functions. Every Cigarette Tobacco Product Tax Law (CTPTL) licensed retailer making sales of electronic cigarettes is required to report and pay the tax on these products, including out-of-state retailers with direct sales to California consumers. Team members will process returns, reports, schedules, payments, interest and penalty relief requests, review overpayments, issue refunds, and provide customer service for this new tax program.

- **Audit.** Team members are required to verify and audit registered retailers that sell electronic cigarette products to ensure the correct amount of tax was imposed, collected, and paid on the sale of electronic cigarette products. CDTFA strives to audit 3 percent of the taxpayer base on a three-year cycle.

- **Collections, Refunds, and Appeals.** As with any other tax program, a certain percentage of returns will be delinquent. Taxpayers who file non-remittance, partial remittance, or late returns, will incur CDTFA billings and be subject to collection actions. It is also estimated that 1.3 percent of the taxpayer base will file a claim for refund and a portion of the audit assessments of the new tax will result in petitions for redetermination. Team members will engage in active collection activities, handle refunds and process requests for relief from interest and penalty, and handle all aspects of the appeals process.

- **Return Processing.** CDTFA will design and develop new tax returns for the E-Cig Tax program. System programming changes are required to allow payments and proper fund allocation to the new fund. Team members are responsible for critical tax return and payment processing, reports, account maintenance, account billing adjustments, and desk review activities.

- **Administration, Implementation, and Administrative Support.** The E-Cig fund requires numerous analyses for maintenance, reconciliation, producing interim statements and preparation of special reports, and monitoring critical cash flow by the Accounting Branch. In addition, CDTFA must develop new online returns (electronic filing only), create new online instructions, and update forms, publications, letters, and webpages. Numerous outreach materials will be distributed and published. Team members will train and provide technical advice to other CDTFA team members and the public.

STAFF COMMENTS

This item was heard at the March 22, 2022, hearing. The resources are reasonable and no concerns were raised at the hearing.

Staff Recommendation: Approve as budgeted.

8885 COMMISSION ON STATE MANDATES

VOTE-ONLY ISSUE 53: ELECTION MANDATES

The Governor's finance letter request an increase of $5.791 million (one-time) and $5.943 million ongoing to reimburse cities and counties for the workload costs associated with complying with Elections Code Section 3010.

BACKGROUND

Election Code Section 3010 requires local election official to provide pre-paid postage on identification envelopes delivered to voters with their vote-by-mail ballots for specified elections. The Commission on State Mandates found Elections Code Section 3010, as amended by Chapter 120, Statutes of 2018 (AB 216), imposes a reimbursable state-mandated program.

STAFF COMMENTS

At the March 8, 2022, hearing, the Subcommittee approved mandates to be funded and suspended. This item would add pre-paid postage for vote-by-mail ballots for elections as a mandate to be funded. Staff has no concerns with this proposal.

Staff Recommendation: Adopt spring finance letter.

3100 EXPOSITION PARK

VOTE-ONLY ISSUE 54: SPRING FINANCE LETTER: EXPOSITION PARK REAPPROPRIATIONS

The Administration requests the reappropriation of General Fund balance for the Phase I construction of the California Science Center ADA Elevator. The Administration notes that this reappropriation will provide the California Science Center with additional time for completing the project.

STAFF COMMENTS

Staff does not have concerns with this proposal

Staff Recommendation: Adopt Spring Finance Letter

ITEMS TO BE HEARD

0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

ISSUE 1: GRANTS TO SUPPORT SMALL BUSINESSES VICTIMIZED BY RETAIL THEFT TBL

The Governor's budget proposes trailer bill language to provide grants to support small businesses victimized by retail theft to accompany a budget proposal of $20 million for grants.

PANEL

- Brian Rutledge, Budget Officer, Governor's Office of Business and Economic Development
- Tara Lynn Gray, Director, California Office of Small Business Advocate
- Brian Weatherford, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
- Tim Weber, Principal Program Budget Analyst, Department of Finance

BACKGROUND

At its, February 1, 2022, hearing, the Subcommittee heard from Go-Biz about their proposal for a grant program for small businesses victimized by retail theft. At the time of the hearing, Go-Biz had not released trailer bill language to detail how the grant program would work. On April 25, 2022, trailer bill language was uploaded to the Governor's website.

Go-Biz will walk the Subcommittee through their trailer bill proposal: RN2209231 v13 (ca.gov)

To be eligible for the program, a small business must be:

1) A small business as defined:
    a. A sole proprietor, independent contractor, 1099 employee, C-corporation, S-corporation, cooperative, limited liability company, partnership, or limited partnership, with an annual gross revenue of no greater than five million dollars ($5,000,000), but greater than five thousand dollars ($5,000), in their most recent taxable year
    b. A registered 501(c)(3), 501(c)(6), or 501(c)(19) nonprofit entity with an annual gross revenue of no greater than five million dollars ($5,000,000), but greater than five thousand dollars ($5,000), in their most recent taxable year.
2) Experienced retail theft at their commercial property on or after January 1, 2022
3) Is currently active or operating or has a plan to reopen when repairs have been made to the applicant's business

4) Provide documents including business permit, state tax return, copy of filing with Secretary of State
5) Acceptable form of government-issued photo identification.

Defines retail theft to mean a crime or crimes in California that meets the following:

1) Robbery, as defined in Section 211 of the Penal Code
2) Arson, as defined in Section 451 of the Penal Code.
3) Burglary, as defined in Penal Code Section 459.
4) Shoplifting, as defined in Section 459.5 of the Penal Code.
5) Larceny, as defined in Section 484 of the Penal Code.
6) Grand theft, as defined in Section 487 of the Penal Code.
7) Petty theft, as defined in Section 488 of the Penal Code.
8) Vandalism, as defined in Section 594 of the Penal Code.
9) Trespassing, as defined in Section 602 of the Penal Code

Provides that the retail theft was reported to law enforcement agency that accepted the report and either the law enforcement agency concluded the business was a victim of retail theft or an insurance claim concluded the business was a victim of retail theft.

Results in cumulative physical losses of over $5,000.

Grants will be awarded on a first come, first serve basis as follows:

1) $5,000 for applicants with an annual gross revenue greater than $5,000 and up to $100,000 in their most recent taxable year
2) $15,000 for applicants with an annual gross revenue greater than $100,000 and up to $1,000,000 in their most recent taxable year.
3) $25,000 for applicants with an annual gross revenue greater than $1,000,000) and up to $5,000,000.

STAFF COMMENTS

The trailer bill language was released on April 25 and staff was unable to meet with GO-Biz prior to the release of this agenda. The goal of supporting our small businesses is shared between the administration and the legislature. However, the trailer bill language raises questions about implementation and the best way to support those affected by retail theft.

The Subcommittee may wish to ask the following:

- Would the retail theft program be structured similarly to the small business grants from last year, meaning will a third party administer the grants or will Go-Biz?
- The funding for the grant program is a total of $20 million, and 15 percent for the administrative fees are $3 million. Why are the administrative fees so high?

- Why are the grants awarded by the size of the business versus amount of uncovered losses to the business? For example, I'm a business who made $1 million on my last tax return, but I had retail theft for $5,000. Under this bill, I'll be awarded a $25,000 grant for my $5,000 retail theft loss.
- Is this grant only for a retailer or for all small businesses? Does a broken window under this language qualify as retail theft?
- The bill states that the office will conduct marketing and outreach, how will this be done? How will the marketing and outreach build upon the networks created under the grant programs from last year? Would the third-party administrator be required to do outreach as part of the 15 percent administrative costs?
- The program is on a first-come first-serve basis and there is only $17 million available. Does CalOSBA know how many businesses would apply for this program? Would it be oversubscribed out the gate and would this program leave small businesses who are not as connected shut out from first come first served basis? Who would a first come first serve basis disadvantage?
- Does this program include administrative costs for the Franchise Tax Board or would that be additional costs outside of this proposal?
- Can you please explain the recaptured grant provisions?
- The Administrative Procedures Act allows the public to participate in the adoption of state regulations in order to ensure that regulations are clear, necessary and legally valid. Why does the department request to be exempt from the APA on this item?

Staff Recommendation: Hold Open.

0971 CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY

ISSUE 2: SALES AND USE TAX EXCLUSION

The Governor's April Finance letter requests limited-term expenditure authority of $315,000 to support two positions (a Staff Services Manager I - Specialist and Office Technician) beginning in 2022-23 to continue the administration of the Sales Tax Exclusion (STE) program.

PANEL

- Derek Chernow, Executive Director, CA Alternative Energy and Advanced Transportation Financing Authority
- Brian Weatherford, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
- Matthew Westbrook, Staff Finance Budget Analyst, Department of Finance

BACKGROUND

The STE program was established after SB 71 (Padilla, Chapter 10, Statutes of 2010) authorized CAEATFA to grant a sales and use tax exclusion to eligible businesses that purchase equipment to design, produce, manufacture, or assemble Advanced Transportation Technologies or Alternative Source products, components, or systems until January 1, 2021.

In 2012, SB 1128 (Padilla, Chapter 677, Statutes of 2012) expanded the STE Program to include Advanced Manufacturers until July 1, 2016. In 2015, AB 199 (Eggman, Chapter 768, Statutes of 2015) further expanded the scope of the STE program to include projects that process or utilize Recycled feedstock, and AB 1269 (Dababneh, Chapter 788, Statutes of 2015) extended CAEATFA's authority to grant STE awards for advanced manufacturing projects from July 1, 2016 to January 1, 2021, creating a uniform sunset date for the entire STE program.

That sunset date was extended by AB 1583 (Eggman, Chapter 690, Statutes of 2019) to January 1, 2026, and AB 176 (Cervantes, Chapter 672, Statutes of 2019) expanded the criteria by which CAEATFA must evaluate applications to include the extent to which the project will result in the loss of permanent, full-time jobs in California, including the average and minimum wage for each classification of full-time employees proposed to be hired or not retained.

In 2015, the program became oversubscribed at the same time AB 199 was signed into law as an urgency statute expanding STE eligibility to recycling projects. To appropriately handle the unprecedented oversubscription, the CAEATFA Board approved a resolution to stop accepting applications until regulations were developed and adopted to evaluate recycling projects eligible under AB 199. In August 2016, CAEATFA adopted regulations to incorporate recycling projects and manage oversubscription by imposing an annual per-applicant cap of $20 million in STE, and instituting a competitive process when the program was oversubscribed.

In 2017, the program again saw a substantial increase in the number of applications received and processed, approximately double from the previous year but also experienced significant staffing turnover. The growing workload and limited staffing resources resulted in a considerable backlog of compliance work, and CAEATFA had to rely on its technical consultant to review applications and help process reports. In 2019, the $100 million STE cap had been exhausted by July, the first time in program history for it to be fully awarded prior to the December Board meeting, and the first time the program's competitive criteria were used to determine which applicants would be considered first.

The program was oversubscribed for 2020 after one application round, and the COVID-19 pandemic was seen to impact purchase timeframes, financing, feedstock supply, revenue, construction, and operations for previously approved applicants although the ultimate market impact remains unknown. As of May 8, 2021, representing all STE application approvals through the 2021 STE allocation, CAEATFA has approved STE awards for 278 projects to purchase approximately $12.2 billion in eligible equipment. The projects span a variety of industries and processes, including solar photovoltaic manufacturing, biofuel production, fuel cell production, electric vehicle manufacturing, advanced material and industrial biotechnology manufacturing processes, and materials recovery facilities.

The 220 projects that are currently active or complete are located across 36 counties and are anticipated to support over 93,000 total jobs. Based on the program's evaluation methodologies, over 3,900 of these jobs are attributable to the STE. The projects are estimated to result in over $1.4 billion in fiscal benefits and over $123 million in quantifiable environmental benefits, creating an estimated net benefit of over $509 million to the state. In the first application period of 2022, CAEATFA received over 50 applications, and is performing due diligence to determine completeness and scoring. Staff plans to bring the qualifying applications for consideration and discussion at the May 2022 meeting. If the applications received are complete and approved, the Program will be oversubscribed for the 2022 calendar year at the first meeting in which applications are considered.

The program budget includes eight authorized positions. All eight positions are currently filled.

STAFF COMMENTS

The resources requested appear reasonable for the associated workload.

Staff Recommendation: Adopt spring finance letter.

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

ISSUE 3: ENFORCEMENT INVESTIGATIONS AND CONCILIATIONS ENHANCEMENTS

The Governor's spring finance letter requests $1.4 million General Fund in 2022-23, 2023-24, and 2024-25 to decrease the wait time between complaint intakes and investigative appointments, and to increase the number of complaints successfully conciliated and settled by investigators.

PANEL

- Mike Miller, Deputy Director, Administrative Services Division, Department of Fair Employment and Housing
- Lourdes Morales, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
- Andrew March, Principal Program Budget Analyst, Department of Finance

BACKGROUND

The Department of Fair Employment and Housing (DFEH) receives, investigates, conciliates, mediates, and prosecutes complaints of alleged violations of the Fair Employment and Housing Act (FEHA), the Equal Pay Act, the Unruh Civil Rights Act, the Ralph Civil Rights Act, Civil Code section 51.9, the Disabled Persons Act, the California Trafficking Victims Protection Act, and Government Code section 11135 et seq (prohibiting discrimination in all State-funded activities and programs). DFEH affirmatively investigates discriminatory practices within the State in accordance with its statutory mandate "to eliminate discrimination in California."

In 2018 DFEH received 27,840 complaints with 5,395 investigations opened; in 2019 DFEH received 28,739 complaints with 6,600 investigations opened; in 2020, DFEH received 28,897 complaints, with 7,235 open investigative cases. Of these, 13,707 were requests for an immediate "Right-to-Sue" in employment cases. 5,784 complaints were investigated by DFEH staff. At the time of this writing, there are more than 7,224 open cases in DFEH's online case management system pending intake or investigation.

The laws enforced by DFEH have increased significantly over the last several years, including the Fair Chance Act (Chapter 789, Statutes of 2017 (AB 1008)), the CROWN Act (Chapter 58, Statutes of 2019 (SB 188)), the SHARE Act (Chapter 709, Statutes of 2019 (AB 9)), prohibition of housing discrimination based on source of income (Chapter 600, Statutes of 2019 (SB 329)), pay data reporting and enforcement (Chapter 363, Statutes of 2020 (SB 973)), and California Family Rights Act expansions (Chapter 86, Statutes of 2020 (SB 1383)) and a mediation pilot program creation and expansion (Chapter 45, Statutes of 2020 (AB 1867) and Chapter 327, Statutes of 2021 (AB 1033)). Additionally, DFEH has experienced increases in the volumes of complaints received as a direct result of the impacts of the COVID-19 pandemic in relation to the laws that DFEH enforces.

Historically the typical average wait time between when an intake form is submitted and when the intake interview is conducted is about three months. In 2021, DFEH experienced a surge in complaints and intakes that increased the wait time for the Enforcement Division's Employment Unit from three months to four months, and for the Enforcement Division's Housing Unit from three months to six months. This surge was, in part, due to an increased number of employment complaints as the labor market rebounded, and due to a greater number of complaints received at the approach of various state, local and federal eviction moratorium deadlines designed to protect tenants during the COVID-19 pandemic. During this period, DFEH's federal partner, the Department of Housing and Urban Development (HUD), also increased its volume of cases waived to California for processing. The number of cases also increased due to the public's greater awareness of DFEH's services, including extensive outreach and education efforts to under-served communities through webinars, social media and traditional media campaigns, as well as press coverage of DFEH litigation and mediation efforts with several high-profile companies.

In response to the increased wait time, DFEH hired four retired annuitants, approved temporary 120-day out-of-class assignments for two clerical employees, assigned supervisors and managers to conduct intakes and spent $82,000 in overtime from March 2021-January 2022 to bolster the ranks of the investigative intake staff.

DFEH's Enforcement Division currently has a high vacancy rate of 18%. This is mostly the result of a high attrition rate due to the difficult nature of the work, as well as an overall challenge to hire and retain state staffing levels during the COVID-19 pandemic. The Enforcement Division has initiated multiple strategies to decrease its vacancy rate including moving to continuous filing job postings for investigator positions. This new hiring process went into effect in October 2021. The investigator job recruitment is posted continuously with listed quarterly cut-off dates when the Enforcement managers pull the applications for interviews and hiring. The Enforcement Division is also working on employee retention efforts such as enhanced and increased training and other process improvements. These efforts are ongoing.

STAFF COMMENTS

During the pandemic, the role that DFEH played in investigating violations to the Fair Employment and Housing Act with respect to employment and housing significantly increased. The resources requested are for three years and will provide an opportunity to readjust based on workload and vacancies at that time.

The Subcommittee may wish to ask DFEH more about how they plan to address their vacancy rate and hire more staff to address the increased workload.

Staff Recommendation: Adopt spring finance letter.

ISSUE 4: IT WORKLOAD SUPPORT

This spring finance letter requests for DFEH $521,000 (General Fund) and three positions in 2022-23; and $517,000 (General Fund) in 2023-24, and ongoing to provide in-house support for the Information Technology Services Division (ITSD).

PANEL

- Mike Miller, Deputy Director, Administrative Services Division, Department of Fair Employment and Housing
- Lourdes Morales, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
- Andrew March, Principal Program Budget Analyst, Department of Finance

BACKGROUND

The ITSD is integral to DFEH's mission as it supports all of the technological functions of the department, including information security, telecommunications (department-issued cell phones and the Virtual Contact Center for telephone customer service), the department's online case management system (CCRS), litigation support applications, external and internal websites, network and server integrity, social media accounts, including Facebook, Twitter, YouTube and LinkedIn, Help Desk functions, project management resources, and telework-supportive applications. The IT program also administers the department's Information Security policies, procedures and protocols, including risk assessment, physical and environmental security, incident management and response, security assessment and authorization, systems and services acquisition, and patch management. All of these efforts help to ensure that data assets and access points are secure.

Both ITSD and the department have grown in recent years. DFEH added 36.7 positions and funding for two additional locations in 2020-21, and 32 additional positions in 2021-22, representing a 29% growth rate. Multiple changes have since occurred, including the addition of the pay data reporting program and new requirements around information security which warrant additional analysis of staffing levels in ITSD.

DFEH also has expanded its telework and virtual footprint exponentially since the COVID-19 pandemic began, procuring and dispensing cell phones and laptops to most staff working from home statewide, as well as purchasing and managing multiple licenses for remote connection, including Microsoft Teams and Zoom, among others. ITSD has also launched multi-factor authentication (MFA) which requires secondary confirmation of identify through alternate means prior to allowing access to DFEH's secure IT assets, especially through remote access. ITSD must also create business rules and evaluate all proposed technological solutions prior to contracting or purchasing IT goods or services.

DFEH continues to receive additional privacy and security requirements from the California Department of Technology and the California Information Security Office. In the September 2021 independent security audit DFEH received a score of 42 out of 100 and had hundreds of findings regarding security configurations and tools that are required to be in place, however DFEH does not have adequate staffing to install, configure and monitor the security tools or implement the procedures that were identified in this audit. The January 2022 CDT security audit also found similar shortcomings in the DFEH privacy and security program.

Workload History

Workload Measure	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 (projected)
Number of support tickets created	7640	7325	5083	5493	15013	17000
Average number of support tickets in backlog	125	130	87	104	178	178
Daily average workers using remote access	6	6	5	135	256	275
Number of cloud services supported	2	2	3	4	9	12
Number of cell phones supported	40	53	55	65	230	300
Number of public-facing web apps	1	1	1	1	3	4
Number of laptops supported	73	80	82	145	235	300
Bi-annual security audit score	68	N/A	51	N/A	42	N/A
Security Audit findings not resolved in 6 months	0	N/	7	N/A	12	N/A
Number of retired annuitants needed to accomplish IT workloads	0	0	1	2	3	2
Contractors needed to support Pay Data Portal	0	0	0	5	3	3

STAFF COMMENTS

In order to address growth, the additional positions at DFEH will provide dedicated in-house IT, develop and maintain a program to ensure compliance with the pay data reporting and allow DFEH to come under compliance with security requirements by CDT.

Staff Recommendation: Adopt Spring Finance Letter.

2240 DEVELOPMENT OF HOUSING AND COMMUNITY DEVELOPMENT

ISSUE 5: 2018 COMMUNITY DEVELOPMENT BLOCK GRANT MITIGATION

This spring finance letter requests $56,056,000 (Federal Trust Fund) and four positions in 2022-23, and $885,000 in 2023-24, and ongoing to manage and oversee the distribution of Community Development Block Grant - Mitigation (CDBG-MIT). This federal funding was allocated to California to increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship from the 2017 and 2018 wildfires.

PANEL

- Zach Olmstead, Chief Deputy Director, Department of Housing and Community Development
- Lourdes Morales, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
- Andrew March, Principal Program Budget Analyst, Department of Finance

BACKGROUND

The Community Development Block Grant - Mitigation (CDBG-MIT) provides resources to impacted communities that experience a federally declared disaster. HCD is the responsible agency for administering both the Community Development Block Grant - Disaster Recovery (CDBG-DR) and CDBG-MIT funds allocated to the state. Funding under the CDBG-DR program provides resources to disaster impacted areas related to housing, infrastructure, economy, and agricultural needs. The CDBG-MIT program takes the next step to fund mitigation efforts to prevent further impact from a disaster or prevent future disasters from occurring in that area.

The 2020 Budget Act included an original CDBG-MIT allocation totaling $88 million. On August 31, 2021, HUD entered into a new CDBG-MIT grant agreement with the state, augmenting that original allocation with an additional $64.9 million. HUD released a Federal Register Notice (FRN) on Wednesday, January 6, 2021 outlining requirements for this new allocation. The purpose of these funds is for mitigation activities that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship by lessening the impact of future disasters.

Since 2020, HCD has initiated the implementation of CDBG-MIT, which is a brand-new program for HUD and for California. As such, HCD made initial assumptions that mitigation projects were essentially infrastructure projects. HCD planned to absorb the workload of the implementation of these funds within its existing disaster recovery infrastructure work. This action also assumed that local jurisdictions had planned for and were ready to implement mitigation projects awaiting HCD funds. However, as HCD collected information from local jurisdictions' priority projects, it became evident that many lacked either the capacity to develop mitigation projects or lacked understanding of the mitigation needs of vulnerable populations and disadvantaged communities in their jurisdiction. With this new information, HCD substantially reconfigured the two mitigation programs to better address community needs and address equity, causing delays in awards. The necessary reconfiguration of both CDBG-MIT programs made it impossible to fully absorb mitigation funds into the CDBG-DR infrastructure program. To date, HCD is unable to commit any of the mitigation funds to programs or projects due to a lack of HCD staff to provide support for program design and implementation.

Some higher capacity jurisdictions have been able to move forward in developing projects and executing contracts to begin construction; however, HCD's lack of staffing for the CDBG-MIT program has resulted in delays for getting funding into smaller jurisdictions and communities that lack capacity to do so. In November 2021, HCD had to delay issuance of NOFA to March or April of 2022 due to lack of staffing.

Federal CDBG-MIT funding is a formula grant program with a single allocation to the HCD/state as the grantee. HCD must expend 50 percent by September 23, 2027, and expend 100 percent by September 23, 2033. This federal grant has no payment requirements, if implemented within FRN requirements. The state in turn grants those funds to entities in the impacted areas eligible for that funding. Below is an outline of the $64.9 million CDBG-MIT grant:

- $55,172,000 in 2022-23 for Local Assistance
- $165,000 in 2022-23 and ongoing for Consulting Contracts
- $720,000 in 2022-23 and ongoing for 4 Positions

STAFF COMMENTS

Without additional staffing, HCD will not be able to implement the program which impacts smaller jurisdictions.

The Subcommittee may wish to ask HCD why the administration of the CDBG program is always so challenging for the smaller jurisdictions. How has HCD addressed these issues in the past?

Staff Recommendation: Adopt spring finance letter.

ISSUE 6: HOME INVESTMENT PARTNERSHIP PROGRAM – AMERICAN RESCUE PLAN

Through a spring finance letter, the Department of Housing and Community Development (HCD) requests $157,886,000 (Federal Trust Fund) and 15 positions in 2022-23 and $2,883,000 in 2023- 24 and ongoing to plan, develop, and administer the new federally funded HOME Investment Partnerships (HOME) - American Rescue Plan (ARP) Program. HCD also requests statutory language to authorize HCD to utilize a guideline process for the HOME program and the Emergency Solutions Grant program implementation.

PANEL

- Zach Olmstead, Chief Deputy Director, Department of Housing and Community Development
- Lourdes Morales, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
- Andrew March, Principal Program Budget Analyst, Department of Finance

BACKGROUND

The ARP Act, passed as House of Representatives (H.R.)1319 — 117th Congress (2021-2022), provides $5 billion to assist individuals or households who are homeless, at risk of homelessness, and other vulnerable populations, by providing housing, rental assistance, supportive services, and non-congregate shelter, to reduce homelessness and increase housing stability across the country. These grant funds will be administered through the Federal Department of Housing and Urban Development (HUD)'s HOME program.

On September 24, 2021, HCD entered a grant agreement with HUD to receive $155,003,000 in federal HOME-ARP funding. The grant agreement requires HCD to expend all HOME-ARP funds by September 30, 2030. HOME-ARP funds can be used for five eligible activities:

- Production or preservation of affordable housing.
- Tenant-Based Rental Assistance (TBRA).
- Supportive services, homeless prevention services, and housing counseling.
- Purchase and development of non-congregate shelters.
- Non-profit operating and capacity building assistance.

HUD has consulted directly with HCD in the federal government's efforts to model the HOME-ARP program after California's Homekey program. As the federal government has rolled out HOME-ARP, California has been featured in outreach and presentations to share best practices of the Homekey program with HOME-ARP grant administrators.

As a part of the HOME-ARP implementation strategy, HCD will deliver some of the services directly. This is a departure from the way HCD has traditionally administered housing and supportive services programs. Under the HOME-ARP Allocation Plan, HCD will assume more roles and responsibilities in implementing the HOME-ARP Program. Typically, HCD's role is to grant funds to local governments and/or Continuums of Care to implement and oversee projects and programs. With the HOME-ARP funding, HCD will directly oversee projects and programs including the:

- Construction, acquisition, and rehabilitation of rental housing and non-congregate shelters
- Payments to organizations providing supportive services
- Payments to families and individuals receiving TBRA; and
- Payments to non-profit organizations for capacity building. HCD will be required to ensure program and project compliance from eligible entities, families, and individuals.

STAFF COMMENTS

The Subcommittee may wish to ask HCD more about their plan to deliver services directly as required under the HOME-ARP program. How will this impact other programs at HCD? Is this a requirement under the federal dollars?

The Administrative Procedures Act allows the public to participate in the adoption of state regulations in order to ensure that regulations are clear, necessary and legally valid. The Subcommittee may wish to ask HCD about exempting programs from the Administrative Procedures Act (APA). This practice had been granted in the past, but is trending to be a regular request for the department on all programs.

Additionally, the Subcommittee may wish to ask HCD about the trailer bill language related to the Emergency Solutions Grant Program, and why it is included in this trailer bill?

Staff Recommendation: Hold Open.

ISSUE 7: TECHNICAL ADJUSTMENTS: REAPPROPRIATION AND EXTENSION OF LIQUIDATION

This spring finance letter requests the reappropriation of $10 million for the Commercial Property Pilot Program included in the 2021 Budget Act and the extension of the liquidation date for the Planning Grant Program of 2018 (PGP) from June 30, 2022, to December 31, 2023 to align with Chapter 15, Statutes of 2020 (AB 83).

PANEL

- Zach Olmstead, Chief Deputy Director, Department of Housing and Community Development
- Lourdes Morales, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
- Andrew March, Principal Program Budget Analyst, Department of Finance

BACKGROUND

Commercial Property Pilot Program. The 2021 Budget Act appropriated $10 million for a pilot program to incentivize the conversion of commercial property (pilot program) to affordable housing. Many consider the conversion of commercial properties into residential developments a promising strategy for addressing California's ongoing housing challenges. Adaptive reuse is the process of adapting and rehabilitating unused or under-utilized buildings for other purposes. Adaptively repurposing commercial buildings can serve as a valuable tool to increase the supply of housing; however, this entails navigating multiple obstacles that increase costs to the extent that it is difficult for developers to achieve affordable rents.

The 2022 Governor's Budget includes an investment of $100 million over two fiscal years for an Adaptive Reuse Program (ARP) to provide incentive grants to fund the additional costs developers incur in adaptive reuse projects (e.g., structural improvements, building system upgrades, code compliance). These grants will provide an incentive for housing developers to select existing buildings instead of new construction which will help accelerate residential conversions, with a priority on projects located in downtown-oriented areas in order to integrate climate and housing strategies.

HCD estimates costs of $5 million per project to provide meaningful incentives for developers to select adaptive reuse projects instead of new construction projects. Total funding for commercial property pilot program is $10 million; therefore, HCD anticipates only funding two projects. The programmatic workload to produce a NOFA, create a boilerplate, and review and score applications resulting in only awarding two projects would be extensive. Additionally, applicants may be discouraged from applying given the limited number of awards available.

Extension of Liquidation Date. Chapter 354, Statutes of 2017 (SB 2) was part of a 15-bill housing package aimed at addressing the state's housing shortage and high housing costs. SB 2 specifically established a permanent source of funding intended to increase the affordable housing stock in California. The revenue from SB 2 varies from year to year, as revenue is dependent on real estate transactions with fluctuating activity. SB 2 directed HCD to use 50 percent of the revenue in the first year to establish a program that provides financial and technical assistance to local governments to update planning documents and processes to accelerate housing production. Planning documents and processes generally include general plans; community plans; specific plans; environmental analyses and local process updates that improve and expedite local permitting. The expenditure deadline for the funds is June 30, 2022.

Building on the successful development of the program, the Governor and Legislature provided additional planning money in 2019 for local and particularly regional governments where the state has never invested in housing planning. These programs are the Local Early Action Planning (LEAP) and Regional Early Action Planning (REAP) grants. To align, combine, and maximize the impact of these efforts, AB 83 extended the expenditure deadline for the PGP to December 31, 2023. However, the Budget Act of 2018 included an expenditure deadline of only June 30, 2022. This proposal will conform the dates in the 2018 Budget Act with the dates in AB 83.

STAFF COMMENTS

The Subcommittee may wish to ask HCD how much planning dollars remain from the SB 2 dollars. Are there jurisdictions that will not spend those dollar by June 30, 2022?

Staff Recommendation: Hold Open.

ISSUE 8: ENCAMPMENT RESOLUTION GRANTS

The budget includes $500 million one-time (General Fund), and trailer bill language, to continue the Encampment Resolution Grant Program established in the 2021 budget.

PANEL

- Victor Duran, Grants Director, Cal Interagency Council on Homelessness
- Lourdes Morales, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
- Chris Hill, Principal Program Budget Analyst, Department of Finance

BACKGROUND

The 2021-22 budget included a $12 billion package of homelessness services and rehousing funds to expand strategies and interventions across the full continuum of homelessness services. The Cal Interagency Council on Homelessness (ICH, formerly the Homeless Coordinating and Financing Authority) received $50 million General Fund and staff resources for grants to aid in the resolution of encampments.

According to the U.S. Department of Housing and Urban Development's 2020 Point-in-Time count, an estimated 161,000 people experienced homelessness at any given moment in California, and nearly 114,000 (70 percent) of these individuals are unsheltered, meaning they were living in places not meant for human habitation. A portion of the state's unsheltered homeless population live in encampments in local parks, and along local streets and the state's highway system.

LAO COMMENTS

- ***Devote Attention to Overseeing Recent Augmentations***. We suggest the Legislature dedicate the early part of the budget process to overseeing the implementation of last year's significant homelessness augmentations. Prior to authorizing increased funding for the activities proposed in the 2022-23 budget, ensuring that the homelessness efforts authorized in prior budgets are operating effectively, adequately supported, and can be maintained over time will be important.

- ***Consider Long-Term Plan for Ongoing Homelessness Efforts.*** In recent years, the state has increased its role in addressing homelessness by providing significant, albeit one-time and temporary, funding towards infrastructure and flexible aid to local governments in recent years. However, addressing this crisis requires a complex combination of services and infrastructure. As more information about recent state efforts becomes available, we suggest the Legislature assess which types of interventions appear most effective. This information could help guide the state's long-term fiscal and policy role in addressing homelessness.

- ***For Any Authorized Funds, Set Clear Expectations and Establish Metrics to Assess Performance.*** Setting clear expectations through statute and establishing reporting requirements to facilitate oversight over the state's progress towards addressing homelessness will be critical.

STAFF COMMENTS

The subcommittee may wish to ask Cal-ICH to explain the criteria of how the awards were granted for the first round of funding.

The first round of grants were awarded on February 24, 2022, with grants awarded to 19 communities to provide shelter or housing for a total of 1,401 individuals currently experiencing homelessness.

The following cities and counties were awarded grants:

- Santa Barbara County - $2.5 million to rehouse 200 individuals
- San Bernardino County - $1.7 million to rehouse 150 individuals
- City of Richmond - $4.8 million to rehouse 102 individuals
- City of Fresno - $5 million to rehouse 100 individuals
- City of Oakland - $4.7 million to rehouse 100 individuals
- City of San Jose - $2 million to rehouse 100 individuals
- Redwood City - $1.8 million to rehouse 70 individuals
- Santa Cruz County - $2.3 million to rehouse 65 individuals
- Orange County - $3.6 million to rehouse 60 individuals
- City of Los Angeles - $1.7 million to rehouse 60 individuals
- City of Petaluma - $1.3 million to rehouse 60 individuals
- City of Tulare - $1.5 million to rehouse 57 individuals
- City of Salinas - $4 million to rehouse 55 individuals
- City of Eureka - $1.6 million to rehouse 50 individuals
- City of Berkeley - $4.7 million to rehouse 45 individuals
- City of Long Beach - $1.3 million to rehouse 40 individuals
- City of Vista - $1.8 million to rehouse 35 individuals
- City of San Rafael - $522 thousand to rehouse 34 individuals
- Marin County - $317 thousand to rehouse 18 individual

Staff Recommendation: Hold Open.

7730 FRANCHISE TAX BOARD

ISSUE 9: LEGAL WORKLOAD GROWTH

The Franchise Tax Board (FTB) requests $4.64 million (General Fund) for 16 permanent positions, 10 position upgrades, and unfunded needs for staff salaries in 2022-23; $4.49 million in 2023-24 and ongoing to address increased volume and complexity in tax appeal, protest, and litigation workloads.

PANEL

- Jeanne Harriman, Chief Financial Officer, Franchise Tax Board
- Brian Weatherford, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
- Chris Hill, Principal Program Budget Analyst, Department of Finance

BACKGROUND

FTB's Legal Division is organized into four Subject Matter Bureaus: General Tax and Administration, Technical Resources, Multistate and Business Entity, and Litigation and Settlement. The Legal Division represents FTB in appeals before the Office of Tax Appeals (OTA) and administers FTB's Docketed Protest program. Taxpayers have statutory rights to file protests of proposed assessments issued by FTB's Audit Division and to file appeals of disputed determinations of taxes to the OTA. Appeals and protests are mandatory workloads for the Legal Division.

Increased Workloads. Since OTA's inception, FTB has received a more than 50 percent increase in the number of income tax appeals; this increase is expected to continue. In January of 2021, FTB, at OTA's request, adopted a new procedure simplifying the filing of an appeal that has also increased FTB's workloads resulting in insufficient staffing levels to manage the appeals inventory. To address the work associated with the increase in appeals in OTA, FTB requests:

Tax Administration and Procedure Bureau

- Assistant Chief Counsel -One permanent position
- Tax Counsel IV - Two permanent position
- Tax Counsel III - Three permanent positions
- Tax Counsel -Three permanent positions
- Legal Analyst - One permanent position

General Tax Bureau

- Tax Counsel III – Two permanent position

Enhanced Complexity. There is increasing complexity in matters pending before the OTA and matters in docketed protest. Additionally, novel constitutional arguments and class action lawsuits brought against the FTB in California Superior Court, Federal Court, and other-state courts, have caused additional complexities. As a result, the Legal Division needs higher level attorney positions to preserve taxpayers' rights to a timely appeal and to address developing and complex issues with appropriately experienced staff. FTB would note the following technical issues showing increased complexity:

Multistate Tax Bureau

- Tax Counsel IV – One upgraded position
- Tax Counsel III – One upgraded position

Business Entity Tax Bureau

- Tax Council IV – One upgraded position

Litigation Bureau

- Tax Counsel IV – One upgraded position

General Tax Bureau

- Tax Counsel IV – One upgraded position
- Tax Counsel III – One upgraded position

Technical Resources Bureau

- Tax Counsel IV – One upgraded position

Tax Administration and Procedure Bureau

- Tax Counsel IV – One upgraded position
- Tax Counsel III – Two upgraded positions

Insufficient Salary Funding. FTB's legal division is predominantly composed of staff who have a number of years of state service and are paid at the highest salary level for their classification. Over the last several years, to balance salary costs with the budget, the division has kept vacancies open longer than the three month hiring period to ensure all salaries for existing staff are covered within the existing budget. FTB reviewed the salaries paid to legal staff and compared this to the budgeted funds to cover these salaries. FTB found these positions are funded at first or mid step, but many of the staff in the positions are paid at the top step creating an ongoing unsustainable funding gap.

Legal Division

Percentage at Max Range	Tax Counsel	Tax Counsel III	Tax Counsel IV	Attorney V	Assistant Chief Counsel
2020-21	12%	29%	75%	100%	83%
2019-20	5%	26%	69%	59%	62%
2018-19	5%	25%	75%	88%	63%
2017-18	5%	41%	75%	97%	100%
2016-17	22%	35%	72%	100%	78%

STAFF COMMENTS

The resources requested appear reasonable to handle the increased workload associated with OTA. The Subcommittee may wish to ask if FTB will fill more positions after salaries are adjusted or keep those vacancies open.

Staff Recommendation: Adopt spring finance letter.

ISSUE 10: VOLUNTARY INCOME TAX ASSISTANCE (VITA) EXPANSION

FTB requests a one-time augmentation of $1,217,000 million (General Fund) in 2022-23 to extend five limited term positions set to expire on June 30, 2022 and allow reimbursement of costs incurred by the Department of Community Services Development (CSD) for administering the California Earned Income Tax Credit (CalEITC) grants. The resources will allow FTB to administer the Voluntary Income Tax Assistance (VITA) program at expanded levels in order to support the 2022-23 grant funding appropriated to increase free tax preparation, and to expand marketing and outreach of CalEITC, the Young Child Tax Credit, and Individual Taxpayer Identification Number (ITIN) tax status eligibility.

PANEL

- Thi Luong, Financial Management Bureau Director, Franchise Tax Board
- Brian Weatherford, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
- Chris Hill, Principal Program Budget Analyst, Department of Finance

BACKGROUND

The VITA volunteer program provides free assistance to individuals who need help in completing federal and state income tax returns. Since 2018-19, one-time grant funds have been appropriated to support the efforts of community-based organizations and non-profits to maximize program participation for both the federal EITC and CalEITC claims. The grant funding also seeks to expand free tax preparation sites and services throughout California. As a result, FTB has enhanced the VITA program to support the additional volunteers and VITA sites funded by the grants. FTB has entered into an Interagency Agreement (IA) with the Department of Community Services and Development (CSD) to issue and manage the grants awarded to various nonprofit and community based organizations. The IA includes fees for administering the grants and FTB is responsible for reimbursing CSD for these costs. In 2021-22, FTB received funding for both of these costs – staff resources, and funding to cover administrative costs for CSD. In other years, FTB was able to redirect some resources to cover these costs but FTB is unable to continuing absorbing these costs without impacting other workloads.

The proposed budget for 2022-23 includes $10,000,000 in one time funds for grants to support CalEITC for education and outreach, free tax preparation services, and ITIN assistance. The extension of these five limited term positions and the funding to cover CSD's administrative costs will allow FTB to continue to support sites through additional trainings and technical support, consistent with the intent of the grant.

STAFF COMMENTS

The Subcommittee may wish to ask FTB if additional outreach funding is added for grants, will additional resources be needed at FTB?

Additionally, the Subcommittee may wish to ask FTB if it is better to make these positions ongoing and fund them for 3 years or to keep the positions one-time.

Staff Recommendation: Hold Open.

0950 STATE TREASURER'S OFFICE

ISSUE 11: BANKING OPERATIONS ITEM PROCESSING SOFTWARE UPGRADE

The State Treasurer's Office (STO) requests expenditure authority, and corresponding funding, for one-time costs of $625,000 to upgrade its check processing software; and ongoing costs of $217,000 for increased annual support costs for this software.

On December 31, 2022, the software used by the STO will reach end of life; and accordingly, the vendor will end its support. Thus, it is critical that the STO upgrades to the current, supportable version to ensure that it can continue to perform its responsibilities of cash management without interruption.

PANEL

- David Duarte, Director, Information Technology Division, State Treasurer's Office
- Brian Weatherford, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
- Jim Doyle, Staff Finance Budget Analyst, Department of Finance

BACKGROUND

On December 31, 2022, the software used by the STO will reach end of life; and accordingly, the vendor will end its support. Thus, it is critical that the STO upgrades to the current, supportable version to ensure that it can continue to perform its responsibilities of cash management, specifically item processing, for the State of California without interruption.

On December 31, 2022, the software used by the STO will reach end of life; and accordingly, the vendor will end its support. Thus, it is critical that the STO upgrades to the current, supportable version to ensure that it can continue to perform its responsibilities of cash management without interruption.

The cost of this software upgrade and ongoing maintenance would be appropriately funded through the following sources:

Fund	One-Time Cost	Ongoing Cost
General Fund	$505,000	$130,000
Central Services Cost Recovery Fund	$337,000	$87,000

CTSMD manages the cash flow of all state funds, forecasts cash balances, revenue, expenditures, and the amounts available for daily investments, ensures accurate and timely agency deposits, administers and executes the wire transfer of funds, reconciles

State accounts with depository banks and redeems all state items submitted by presenting banks for payments.
CTSMD is also responsible for executing the clearance and income collection for state investments (excluding PERS and STRS) and securities pledged to the state, the clearance and settlement of securities pledged to the state for the Time, Demand, and other state agency programs, and for the safekeeping of securities and other personal property owned by or pledged to the state.

CTSMD consists of the Division Administration, Securities and Banking Services, and Banking Operations. As part of Banking Operations, the Item Processing Section (IPS) is responsible for redeeming all items presented by banks for payment (about 94,000 items daily), for handling forgeries, and managing Stop Payments.

The STO performed analysis and conducted research to determine the best way to respond to the end-of-life for its item processing system software. As a part of that analysis, the STO released a Request for Information (RFI) in 2021. Two software solution providers responded to the RFI. One respondent provides the product that the STO is now using. The other respondent offered a competing product.

Implementing the first respondent's offering would involve an upgrade of the software product that is now in use by the STO. Implementing the second respondent's offering would involve a project to migrate the functionally from the current software solution to a new one. It would also require the STO to reengineer any business process that are dependent upon the present software solution.

According to the RFI responses, the first vendor would charge the STO $625,000 to upgrade the current version of the STO's existing package. The provider of the other solution estimated that it would charge the STO a $1.1 million startup cost. Although the estimated migration cost is already almost twice that of the cost to maintain the current vendor, that number does not include additional project costs that the STO would expend in migrating to the new product.

STAFF COMMENTS

The Subcommittee may wish to ask the following:

1. Why is the software nearing its end of life and end of support for the current program?
2. Additionally, whether the first vendor is a long term solution or short term?

Staff Recommendation: Hold Open.

ISSUE 12: POOLED MONEY INVESTMENT ACCOUNT (PMIA) OPERATIONS

Through a spring finance letter, the STO requests one Associate Treasury Program Officer to support the workload associated with the increase in the amount of securities held in the PMIA. Funding would be $136,500 (Surplus Money Investment Fund) and $19,500 (General Fund).

PANEL

- Kirstin Szakaly-Moore, Director, Investment Division, State Treasurer's Office
- Brian Weatherford, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
- Jim Doyle, Staff Finance Budget Analyst, Department of Finance

BACKGROUND

The Investment Division invests temporarily idle funds of the PMIA as part of the Centralized Treasury System. The PMIA is made up of commingled monies from the General Fund, Surplus Money Investment Fund (SMIF), and the Local Agency Investment Fund (LAIF). SMIF represents the available cash from state agencies that do not have investment authority of their own and from those that have independent investment authority but choose to participate in the program.

As of June 30, 2021, there were more than a thousand special funds and accounts participating in SMIF with an available resource balance of $85.5 billion. LAIF was established to provide California cities, counties, and special districts with an investment alternative. As of June 30, 2021, the LAIF balance was $37.1 billion with over 2,378 participating agencies.

The PMIA also manages the Time Deposit Program (TDP) which provides money to community financial institutions at competitive rates. Eligible institutions are commercial banks, savings banks, and credit unions that are federally insured and licensed to accept time deposits in California. The TDP allows institutions that receive time deposit funds to use the money to expand economic opportunity and create jobs in their communities. As of June 30, 2021, there were 147 time deposits totaling $3.9 billion in 59 institutions.

The goal of the Investment Division is to prudently manage and safely invest the State's idle or surplus monies to maximize the earnings and to meet the cash flow needs of the State. There is a high degree of visibility and sensitivity regarding the investment of public funds and the subsequent outcome of these investments. As of June 30, 2021, the PMIA totaled $193.3 billion with daily investment activity for the month averaging $3.584 billion.

The current workload:

Workload Measure	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	% Increase (6/30/2017-6/30/2021)
Portfolio (PMIA) Balance	$77.6 billion	$88.8 billion	$105.7 billion	$101.0 billion	$193.3 billion	**149.25%**
	FY 2016/17	**FY 2017/18**	**FY 2018/19**	**FY 2019/20**	**FY 2020/21**	**(FY 2016/17 – 2020/21)**
Number of Security Transactions	7,321	8,201	8,364	8,687	10,653	**45.51%**

The PMIA currently consists of five positions: Treasury Program Manager II, Treasury Program Manager I, Associate Treasury Program Officer, Staff Services Analyst, and an Office Technician (OT).

STAFF COMMENTS

The Subcommittee may wish to ask the STO if one additional staff is sufficient to handle the unprecedented amount being invested daily.

Staff Recommendation: Hold Open.

0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY
7100 EMPLOYMENT DEVELOPMENT DEPARTMENT (EMPLOYMENT TRAINING PANEL)
7350 DEPARTMENT OF INDUSTRIAL RELATIONS

ISSUE 13 – LABOR SPRING FINANCE LETTERS

The Administration Spring Finance Letters and April Budget Change Proposals include requests for additional staffing for the Labor and Workforce Development Agency; reappropriation of grant funding for the Social Entrepreneurs and Economic Development (SEED) program; and initial funding to modernize the Department of Industrial Relations' Electronic Adjudication Management System.

PANEL

- George Okamoto, Agency Information Officer, Labor and Workforce Development Agency
- Jay Sturges, Asssociate Secretary, Fiscal Policy, Labor and Workforce Development Agency
- Jana Lazarewicz, Northern California District Manager, Employment Training Panel
- Peter Cooper, Assistant Executive Director, Employment Training Panel
- Paige Levy, Chief Judge, Department of Workers Compensation – Division of Workers Compensation
- Ben Bonte, Chief Information Officer, Department of Industrial Relations
- Andrew March, Principal Program Budget Analyst, Department of Finance
- Patrick Toppin, Finance Budget Analyst, Department of Finance
- Chas Alamo, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

BACKGROUND

BCP 1: Labor and Workforce Development Agency Operations

The Labor and Workforce Development Agency requests 10 positions and $1,391,000 Reimbursements and $916,000 Labor and Workforce Development Fund in 2022-23 and ongoing to manage existing and new workloads. Over the past several years, Labor Agency has redirected staff from other departments to address ongoing workloads within the Agency. LWDA notes that while this approach was key to the short-term success of various initiatives within the Agency, it is not an appropriate practice to support long-term workload as it ultimately has a negative impact on department's operations. Under this proposal, LWDA is requesting the following positions so that eight redirected positions can be returned to the department of origin:

- *Exempt Senior Advisor:* Originally redirected from the Department of Industrial Relations, this position is a leadership role focused on the Unemployment Insurance program (UI) and the Disability Insurance programs and general

COVID-19 response. The Senior Advisor interfaces directly with EDD leadership on UI matters including legislation, funding, administration, personnel, public relations, developing initiatives, language access, customer-centric design, reforming operations, and modernizing programs in preparation for future economic downturns.

- *Deputy Secretary of Policy:* Responsible for the review and development of all Legislation within the Agency, including performing research and analysis of policy initiatives in other states, reviewing relevant state and federal policies, and assessing the effectiveness of existing laws and policies within the Agency and its departments.

- *Associate Secretary for Enforcement and Partnerships:* Originally redirected from the Department of Industrial Relations, this position is tasked with overseeing the effectiveness and efficacy of various enforcement program. The Associate Secretary is also responsible for intra-agency collaboration and partnerships with public stakeholders.

- *Agency Information Officer:* Originally redirected from the Employment Development Department, this position is responsible for cybersecurity, assisting with departmental cybersecurity incidents and remediation, IT portfolio management, delegated project management, IT audits, and IT contracts review

- *Deputy Secretary for Communications:* Originally redirected from the Department of Industrial Relations, this position is responsible for the digital, social, and traditional media strategies, for drafting and reviewing responses to media inquiries and other public information requests and vetting proposed responses through the Governor's Office.

- *Special Assistant to the Secretary:* Originally redirected from EDD, this position is responsible for managing the Secretary's calendar, meetings, and commitments, prepares briefing materials and background information for meetings, screening visitors and incoming calls, reviews, tracks, and responds to correspondence, and coordinates travel plans and itineraries for the Secretary and Undersecretary. The Special Assistant also coordinates activities with the Governor's Office, Legislators, other Agency Secretaries, and department executive leadership.

- *Research Data Specialist I:* Originally redirected from the Department of Industrial Relations, this position is responsible for research and system development efforts to develop policy and programs. Projects currently include efforts to improve the collection and reporting of data for use by departmental management and executive leadership in making evidence-based decisions on program investments, policy changes and systems improvement, and initial development work related to the Community Economic Resilience Fund (CERF) program, sector initiatives in healthcare and climate impact, and programs and policies affecting target populations, such as immigrants, youth and adults with disabilities.

- *Associate Governmental Program Analyst:* Originally redirected from the Department of Industrial Relations, this position is responsible for a variety of functions in support of legislative coordination and bill analyses for the Agency.

LWDA also requests two new positions to address Agency workload:

- *Deputy Secretary Care Policy:* Would be responsible for developing strategies, policies, partnerships, and program initiatives at Labor Agency that improve job quality and create career pathways in the long-term care, childcare and health care sectors. The Deputy Secretary will conduct research and analysis on the policy, regulatory, reimbursement and legislative frameworks that affect job quality and career advancement in the care sectors, and develop strategies and programs that improve the quality of jobs, expand access to these jobs for underserved populations, and build pathways for career advancement and wage progression.

- *Assistant Secretary for Climate:* Would be responsible for the oversight and continued development of the Agency's growing portfolio of climate-based workforce development programs. This portfolio includes the Community Economic Resilience Fund (CERF) program, the Displaced Oil and Gas Worker Fund program, the Extreme Heat Action Plan High Road Training Partnerships program, the Well Capping Workforce Pilot program, and the Low Carbon Economy Workforce grant program.

BCP 2: Agency Information Security Program Development

The Labor and Workforce Development Agency requests $615,000 in reimbursements and 3 permanent positions in Fiscal Year 2022-23 and ongoing, to address Information Technology security workload. According to the LWDA, this includes securing critical information technology assets, guarding against compromise of systems, and ensuring the confidentiality, integrity, availability, and privacy of personal information. Currently, LWDA only has one staff position serving as both the Agency Information Security Officer and Privacy Officer. Various audits conducted by California Department of Technology about LWDA departments show a growing number of cybersecurity incidents. As an example, LWDA notes that information disclosure for social security numbers is an increasing risk if remediation plans are not developed.

Under this proposal, the LWDA plans to establish a Risk Office and Privacy Office, staffed by positions that include a Privacy Officer, Risk Officer, and a Cybersecurity Technologist. The Risk Office would prepare a portfolio of the LWDA entity information assets including the categorization and classification of sensitive and confidential information, associated projects, system's life cycle, audits, risk assessments, and data owners. Ensure data owners and the information technology teams address privacy and risk with the appropriate policies and procedures. According to LWDA, the technical specialist position would design and architect the technical capabilities which includes Continuous Vulnerability Management, Multi-Factor Authentication, Anti-Phishing Program, Anti-Malware Protection, Asset Management, Incident Response, Continuous Patch Management, Privileged Access Management, Security and Privacy Awareness Training, Security Continuous Monitoring, Network Threat Detection and Protection, Data Loss Prevention, Log Management, Application Whitelisting, Mobile Device Management, Application Development Security, Disaster Recovery, Encryption, Network Access Control and Cloud Security Management.

Concurrently, the Privacy Office's responsibility would be to ensure LWDA complies with State and Federal mandates and ensure the protection of sensitive and confidential data. The Privacy Officer will develop plans, policies, and procedures with the LWDA entities to address privacy for all information assets including paper (mail) and information systems.

BCP 3: Social Entrepreneurs for Economic Development Liquidation

The Employment Training Panel (ETP) requests to extend the liquidation term for the Social Entrepreneurs for Economic Development (SEED) Initiative authorized by the 2020 Budget Act, from June 30, 2022 to June 30, 2023. According to the Administration, this request will provide authority to extend contract terms entered into by grantees of the first round of the SEED Initiative, known as SEED 1. ETP is requesting Budget bill language be included to make this change.

Background.

The SEED initiative was established through AB 82 (Chapter 14, Statutes of 2020) and aimed to support the entrepreneurship of immigrants and limited English proficient individuals through microgrants, training, and technical assistance. SEED 1 contract terms are currently for 13 months and are scheduled to expire on 6/30/2022. ETP reports the following workload history:

Workload History sheet

Workload Measure	PY	CY
Total Award Amount	$9,650,000	$9,650,000
Total Paid Amount	$2,195,000	$4,923,298
Total Remaining Balance	$7,455,000	$4,726,702

According to ETP, community-based organizations are reporting that 13 months is an insufficient amount of time to get the new programs up and running, provide quality outcomes, and organizational capacity building. The ETP requests authority to extend the term end date for the SEED 1 grantees to 6/30/2023 to provide grantees with additional time to further their outreach to the target populations and exhaust all funds.

BCP 4: Electronic Adjudication Management System Modernization

The Department of Industrial Relations (DIR) requests $2.5 million in 2022-23 from the Workers' Compensation Administration Revolving Fund to begin the initial planning and project cost to modernize the Department's Electronic Adjudication Management System (EAMS).

Background. DIR's Division of Worker's Compensation is responsible for the regulation and administration of workers' compensation claims. It does so by providing administrative and judicial services to resolve disputes that arise in connection with claims for workers' compensation benefits. EAMS is the IT system supporting this function: it allows the Department to schedule hearings to review the issues brought before the DWC, process documents for case related court documents, and assist with case management. EAMS currently supports approximately 7.8 million cases.

DIR notes that EAMS is nearing its technological end-of-life and must be replaced to maintain functionality. DIR also points out existing system limitations with EAMS, such as the inability to track and evaluate data, and challenges in upgrading the system. As a result, DIR notes that when legislative and regulatory changes occur, the division is unable to implement these changes without considerable cost and effort

Proposal. DIR is requesting funding for a total of six positions: four for DWC and two for DIR's Office of Information Services (OIS), and associated operating expenses, including funding for business and data analyst consultants. The breakdown is as follows:

- DWC requests funding for two Senior Legal Typists, one Workers' Compensation Judge, and one Workers' Compensation Consultant to implement the necessary changes. These staff will serve as subject matter experts to determine the most effective creation and implementation of the new system within the division.

- OIS is requesting funding for two Information Technology Specialist I for contract management, business analysis, and data cleansing.

DIR notes that the resources requested will fund the initial planning and project costs – subsequent proposals will be submitted for the remaining project costs.

STAFF COMMENTS

Regarding the SEED program, the Subcommittee may wish to ask the following questions:

1. How many organizations received funding and how many individuals have benefited from the program?

2. What is the anticipated timeline for the independent evaluator to provide a review of the SEED implementation and outcomes?

Regarding the EAMS modernization, the Subcommittee may wish to ask the following questions:

1. Does the Administration plan on submitting a separate proposal at a later time for the actual implementation of the system / software change? If so, when?

2. Is a preliminary estimated project cost available?

Staff Recommendation: Hold Open

ISSUE 14: EXPOSITION PARK SPRING FINANCE LETTERS

Exposition Park requests funding for several infrastructure projects, including conducting a feasibility study to construct an underground parking structure; project planning for a parkwide surveillance system; and maintenance and repair of a parking structure.

PANEL

- Vanessa Esparza, Acting General Manager /Assistant General Manager, Office of Exposition Park Management
- Michael McGinness, Department of Finance
- Anita Lee, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

BACKGROUND

BCP 1: Southeast Parking Structure Study

The Office of Exposition Park Management (OEPM) requests $500,000 from the General Fund to fund a cost estimate study and feasibility analysis to construct an underground parking structure with a festival plaza top-deck. This underground parking structure will replace three existing surface parking lots and parking on lawn area of the Park. OEPM states that the underground parking structure will be topped off with 14.2 acres of green space to be used by the local community, park visitors and will serve as additional revenue-generating event space.

OEPM states that the scope of the project may include:

- An underground parking structure/garage with no less than 2,053 spaces. O
- 1st level having a height restriction capable of accommodating school busses
- Structure/garage with adequate load baring infrastructure to hold a nearly 14-acre park cap that will serve as park space for the community and can host large festivals or outdoor events.
- EV Charging stations
- Parking automation
- Security Cameras
- Distributed Antenna System for cellular support
- Parking management offices and facility storage
- Public restrooms o Freight/service elevator
- All necessary systems to support the underground structure including: backup generator(s), CO2 detectors with automatic exhaust fans, sump pump(s), fire suppression systems, emergency phones, Wi-Fi and lighting system.
- Operations center/welcome center with office space and storage.
- Landscaping, trees, shrubbery, and drought tolerant planting

- Strom water capture and retention systems.
- Walking paths.
- Hydration stations.
- Skate park amenities.
- Wind and solar art installations.

BCP 2: Parkwide Surveillance System

OEPM requests $378,000 General Fund for the preliminary plans phase of a project to implement a parkwide surveillance system to improve public safety patrols, and proactive of the Park and its visitors.

This request would fund project schedule estimates. If approved, this preliminary plan would begin in August 2022 and will be completed in April 2023. OEPM estimates the total project costs are estimated at $8 million.

BCP 3: Baseline Budget Augmentation for Maintenance and Repairs

OEPAM requests $418,000 ongoing Exposition Park Improvement Fund to acquire goods and services in the maintenance and repair of the Orange Parking Structure which was built by the Lucas Museum of Narrative Art to restore the OEPM's lost parking inventory due to the construction of the Museum. Additionally, OEPM requests one additional Associate Governmental Program Analyst to support in the additional workload of acquiring the goods and services for maintenance.

STAFF COMMENTS

Regarding the proposal to fund a parking structure study, the Subcommittee may wish to ask:

1. What is the current occupancy rate for the existing parking infrastructure? Has the Park experienced capacity issues in the past?

2. Will the study consider any other alternatives other than an underground parking structure?

3. Why is the study proposed to be funded by the General Fund instead of the Exposition Park Improvement Fund? Should the study be approved and be completed, what is the anticipated requested source of funding for construction of the project?

Staff Recommendation: Hold Open

ISSUE 15: SPRING FINANCE LETTER: LOCAL ASSISTANCE – CA ARTS COUNCIL

The Governor's April Finance Letters request a reappropriation of funding for various California Arts Council local assistance items.

PANEL

- Jonathan Moscone, California Arts Council
- Ayanna Kiburi, California Arts Council
- Kristin Margolis, California Arts Council
- Tim Weber, Principal Program Budget Analyst, Department of Finance
- Jessica Peters, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

BACKGROUND

The Administration requests reappropriations of funding for various California Arts Council local assistance items. According to the Administration, this request will provide additional time necessary for the California Arts Council to award grants. The request reappropriations are as follows:

General Fund
(1) $23,800,000 from Budget Act of 2021
(2) $10,476,000 from Budget Act of 2020

Graphic Design License Plate Account
(1) $1,405,000 from Budget Act of 2021
(2) $1,405,000 from Budget Act of 2020

Federal Trust Fund
(1) $1,449,000 in Budget Act of 2021

Keep Arts in Schools Fund
(1) $250,000 from Budget Act of 2021
(2) $250,000 from Budget Act of 2020

STAFF COMMENTS

Staff notes that there have been no expenditures for several of these funds since originally appropriated in 2020-21 (e.g. the Graphic Design License Plate and the Keep Arts in School Fund). In addition to these grant programs, the Governor's budget currently proposes significant workload increase for the California Arts Council, including administering a potential $30 million program to expand cultural districts. The Subcommittee may wish to ask:

1. Why have the funds requested for reappropriation not been spent?

2. In considering additional proposals included in the Governor's budget, will the CAC have capacity to absorb the proposed workloads?

Staff Recommendation: Hold Open

ISSUE 16: SECRETARY OF STATE SPRING FINANCE LETTERS

The Administration requests additional staffing for the Secretary of State to supplement the Voter Hotline, implementation of the Voter Choice Act, and the SOS' budget office.

PANEL

- Jana Lean, Elections Division Chief, Office of the Secretary of State
- Tamara Johnson, Chief Financial Officer, Office of the Secretary of State
- Kristin Dagsher, Fiscal Affairs Bureau Chief, Office of the Secretary of State
- LaKenya Jordan, Deputy Secretary of State, Office of the Secretary of State
- Tim Weber, Principal Program Budget Analyst, Department of Finance
- Nick Schroeder, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

BACKGROUND

BCP 1: Elections: Voter Hotline Staffing

The Secretary of State (SOS) is requesting $540,000 General Fund in 2022-23 and ongoing for the use of temporary staff to assist with statewide election voter support on the SOS's Voter Hotline.

Background. The SOS is statutorily required to operate a confidential toll-free Voter Hotline to report the denial of voting right, report election fraud or misconduct, and to report the misuse of voter registration information. Additionally, the California voter information guide is also required to include the toll-free number of the Voter Hotline, providing a way for voters to request published copies of the full text of proposed ballot measures ahead of an election, a request that must be fulfilled within one business day.

The Voter Hotline is a year-round resource to voters during regular business hours and within peak election season during extended hours, including weekends, to assist voters. After business hours, voters may contact the Voter Hotline and leave messages to request documents such as voter registration applications, vote-by-mail applications, state Voter Information Guides, and Text of Proposed Laws be mailed to them or to report instances of potential election fraud. The Voter Hotline currently operates in English and nine additional languages.

The SOS notes that it saw a significant increase in phone calls and requests from voters. As an example, for the September Recall election, the SOS processed 2,994 voice messages and 32,334 live calls. According to the SOS, this figure represents a 39 percent increase from the previous primary election in 2018 and a 142 percent increase from the previous presidential primary election in 2016.

Proposal. This proposal would fund temporary resources to support the Voter Hotline during peak election dates, including training and preparation of temporary staff. The proposal includes the following components:

- *Retired Annuitant Managers:* These managers would train and prepare the management team before temporary staff are onboarded. The SOS notes needing an SSM II for project development and management, and two SSMs I to oversee daily operations, training, and personnel management.
- *Temporary Staffing Agency Contract:* The SOS expects using approximately 25 temporary staff for a period of 90 days, with additional costs for the Department of General Services and Office of Legal Services to advertise and review contract bids.

BCP 2: Voter Choice Act Resources

The Secretary of State (SOS) requests $452,000 General Fund in 2022-23 and $437,000 annually thereafter to support 3 positions for the continued administration of the Voter's Choice Act (VCA) of 2016 mandates.

Background. The Voter Choice Act was enacted in 2016 and allowed specific counties on or after January 1, 2018, and all other counties, on or after January 1, 2020, to choose to conduct elections where all voters are mailed a ballot and where vote centers and ballot drop-off locations are available prior to and on Election Day. The VCA requires county election officials to have a voter education and outreach plan that is approved by the SOS and that includes several components, such as use of media, community outreach, language access, and more.

In 2018, five counties adopted the VCA voting model. In 2020, the number of VCA counties increased to 15 counties. In 2022, 28 counties are operating under the California VCA. The SOS explains that while funding was obtained to cover county outreach and education costs and state-level outreach and education and reporting costs, no additional funding was received for the staffing costs associated with the increase in workload.

Proposal. The SOS requests 3 staff to cover the new workload associated with statewide compliance for new and existing VCA counties, ongoing legislative reporting and research, and coordinating statewide voter outreach and education across all 28 counties operating under the VCA model. The three positions are described below:

- *VCA Research Manager:* Would be responsible for research related to improving the VCA program for the SOS. This position would also be responsible for using research to identify and communicate challenges in VCA implementation statewide.

- *VCA County Outreach and Education Manager:* Would be responsible for working with county elections officials and plans and coordinates voter education and outreach efforts across VCA counties statewide. The position also serves as liaison with Community Based Organizations at state and local levels to ensure community engagement especially in hard-to-reach communities.

- *VCA Policy and Planning Manager:* Would be responsible for advising VCA counties and onboarding new VCA counties on compliance with various requirements set

BCP 3: Fiscal Staffing Needs

The Secretary of State (SOS) requests a permanent augmentation of 7 positions and $951,000 ($664,000 Business Fees Fund and $287,000 General Fund) in 2022-23 and $916,000 ($639,000 Business Fees Fund and $277,000 General Fund) annually thereafter to support the SOS' budget operations.

Background. In July 2018, the SOS transitioned to the new state accounting system of record, the Financial Information System of California (FI$Cal). Several state departments and agencies, including the SOS, reported significant challenges throughout this transition. The SOS explains that although it received permanently funded positions to support the workload within both its Procurement section and its Accounting Office as a result of the transition to FI$Cal, a request associated with the increase in workload in the Budgets Office was deferred so that attention could be given to the timely completion of the Month-End-Close (MEC) and Year-End-Close (YEC) processes to meet the State Controller's Office's year-end financial statement deadlines.

The SOS experienced delays in the completion and submission of that transitional year's financial statements, with the final reports for 2018-19 being submitted in late September 2020. To address these timelines, the SOS hired a retired annuitant to assist with the FI$Cal MEC/YEC process and submitting year-end financial statements to the SCO. With the recently appropriated additional staffing in the Accounting Office, increased staff experience within the FI$Cal system, and assistance from the retired annuitant, the SOS was able to gain some ground and submit the 2020-21 year-end reports by early October 2021. Although progress has been made with the MEC / YEC process, the SOS believes it continues to have insufficient resources to perform its budget functions. Following an internal evaluation, it is the SOS' assessment that its Budget Office is significantly understaffed and, without changes, the SOS runs the risk of falling behind in the timely completion of the budget drills required for both the building of the upcoming budget, as well as the reporting of the prior year actuals.

Proposal. To meet its budget responsibilities, the SOS is requesting 7 positions: 2 Staff Services Managers I and 5 Associate Budget Analysts. Currently, the SOS has three Associate Budget Analyst positions and one Staff Services Manager II, which in turn reports to a Staff Services Manager III.

Under this proposal, the Budget Office is proposed to be comprised of two distinct units; a technical unit which will complete the budget building duties and a program unit which will complete the duties related to divisional expenditure and revenue tracking and projecting. Each function will consist of four Associate Budget Analysts, each overseen by a Staff Services Manager I.

STAFF COMMENTS

The Subcommittee may wish to ask the following questions:

1. Does the SOS anticipate additional counties to adopt the VCA model in the near future?

2. How has the pandemic impacted volume of calls to the Voter Hotline? As California transitions to the endemic phase, does the SOS have projections on the anticipated volume of calls to the hotline for upcoming elections? What other factors drive call volume?

Staff Recommendation: Hold Open

ISSUE 17: STATE CONTROLLER SPRING FINANCE LETTERS

The Administration requests additional resources for the State Controller's Office to disburse telework and healthcare stipends as well as resources to replace the state's unclaimed property management system.

PANEL

- Jennifer Urban, Chief of Budgets and Accounting,
- Marissa Revelino, Budget and Contracts Manager
- Lisa Dean, Bureau Chief, Program Management Analysis Bureau
- Jennifer Urban, Chief of Budgets and Accounting
- Margit Miller, Chief, Unclaimed Property Division
- Todd Boltjes, Chief, Information Systems Division
- Susan Wekanda, Department of Finance
- Ann Hollingshead, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Nick Schroeder, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

BACKGROUND

BCP 1: California State Employees Telework and Healthcare Stipends

The State Controller's Office (SCO) requests $495,000 ($297,000 General Fund; $198,000 Central Service Cost Recovery Fund (CSCRF)] in 2022-23 and $194,000 ($116,000 GF; $78,000 CSCRF) in 2023-24 and ongoing to support the disbursement of the California State Employees Telework and Improving Affordability and Access to Healthcare stipends.

Background on Telework Stipend. During the COVID-19 global pandemic, the Administration directed all non-essential telework eligible staff to transition to telework as a protective measure to limit the spread of the virus. The state deployed an emergency telework program (ETP) based on guidance from the California Department of Human Resources (CalHR) in order to reduce the number of employees at state buildings. Since the initial ETP, the state conducted multiple studies related to staff telework eligibility, and benefits and savings attributed to teleworking such as reduced vehicle expenses, time saved due to decreased commute times, and other pertinent sources of information. In 2021-22, the state began implementing a mostly permanent teleworking workforce, with an additional requirement that every state department incorporate telecommuting as a work option.

CalHR informed state departments and SCO of agreements reached with specified bargaining units (BUs) for a telework stipend and the requirements departments must meet to ensure timely payment of the stipend upon full ratification. SCO anticipates the statewide telework stipend upon ratification and legislative approval, will be retroactive to October 1, 2021. As of March 2022, six BUs have negotiated consistent telework stipend side letters.

All active state employees who have a telework agreement on file and meet criteria to telework shall receive either a $25 (if office-centered employee) or $50 (if remote-centered employee) stipend for each eligible pay period. Based on the initial analysis of the telework stipend and the known population of state employees eligible to receive these payments, SCO anticipates issuing 200,000 direct deposit payments and 32,000 printed warrants in 2021-22 (1 retroactive payment and 3 payments for April, May and June) and 600,000 direct deposit payments and 96,000 printed warrants beginning in 2022-23.

Background on Affordability and Access to Healthcare Pay Differential. In 2019, CalHR and SEIU Local 1000 ratified an MOU providing a healthcare stipend. Under this MOU, SEIU Local 1000 represented employees eligible to be enrolled in a CalPERS health plan receive a monthly cash payment of $260. This payment will be provided for 36 months commencing with the July 1, 2020 pay period, expiring the June 30, 2023 pay period. This letter was revised, effective, July 1, 2022, and provides that anyone enrolled in state sponsored health benefits will still be eligible to receive the $260 cash payment; anyone not enrolled in state sponsored health benefits will not be eligible to receive the $260. This population may be eligible to enroll in a flex cash program during a special open enrollment period. Further, Excluded and Exempt employees aligned with SEIU BUs are also receiving this monthly additional cash payment.

In 2020-21, SCO issued a monthly average of more than 109,000 new healthcare payments. While the update to the side letter will reduce the number of monthly payments related to the Healthcare payments for the final year of the program, SCO will continue to incur increased costs and therefore requires additional funding to process and disburse these payments.

Proposal. SCO notes that it does not have the resources to absorb increased costs related to the telework stipend and healthcare payments. Based on initial estimates, these workloads will result in SCO issuing an additional 1,786,000 (696,000 telework stipend and 1,090,000 healthcare payments) in 2022-23; and 696,000 telework stipend payments in 2023-24 ongoing. The estimated costs for this workload was calculated based on current eligible and actual telework percentages from DGS Telework Dashboard statistics as of February 2022. Proposed funding would cover direct deposit electronic funds transfer service fees, operating expenses, as well as printing and postage costs associated with printing and mailing warrants.

BCP 2: Unclaimed Property Management System Replacement

The SCO requests $323,000 in 2022-23, $1,183,000 in 2023-24, $1,647,000 in 2024-25, $1,685,000 in 2025-26, and $1,724,000 in 2026-27 and ongoing from the Unclaimed Property Fund (UPF) to support the replacement of its current Unclaimed Property System (UPS2000) with a new unclaimed property management system.

Background.

The SCO Unclaimed Property Division (UPD) is responsible for administering California's unclaimed property laws, which requires banks, insurance companies, corporations, and certain other entities to report and submit their customers' property to the State Controller's Office when there has been no activity for a period of time. Common types of unclaimed property are bank accounts, stocks, bonds, uncashed checks, insurance benefits, wages, and safe deposit box contents. The SCO is responsible for safeguarding such property until it is reunited with or claimed by its rightful owner.

The UPD uses UPS2000 as the system to manage the unclaimed property the state receives from businesses, safeguards for owners, and returns to claimants. Among its functionalities, UPS2000 records all of the unclaimed property received by the state including details of when the property was reported and by which business, who the owner or owners are, when they were last in contact with the business, and how they are related to the property. UPS2000 records property types and values, claims made against each property and whether they have been paid, denied, or are still outstanding. The system is the data hub for all unclaimed property that is listed on the Controller's website, where owners and heirs can initiate their claims.

SCO reports several challenges due to the aging of the UPS2000 system. For example, outdated database environment causes slow server performance, increased data processing time, and increased system time-out errors. Multiple attempts to update the server environment have failed because the service provider cannot accurately test the parts of UPS2000 that were custom built to fit California's unclaimed property system needs. SCO also notes that requests for fixes and enhancements are continually delayed by the service provider and the provider's inability to commit resources. For example, in 2018, the SCO illustrates that UPD began planning a shopping cart enhancement, which would allow claimants to claim multiple properties simultaneously. The service provider estimated six months to complete the project, but project implementation took 3 years.

Finally the system is unable to transition away from manual processes. UPD's workflows remain manual paper processes because UPS2000 cannot accommodate the transmission or storage of digital forms, holder reports, claims, or claim documentation. Aside from claims that qualify for the eClaim process, claimants must still mail claim forms and claim documentation such as photo identification, proof of social security number, proof of relationship to deceased persons, and verification of address. Under this manual process, it can take an average of 179 days from receipt before a claim is processed.

Proposal. SCO requests permanent resources from the Unclaimed Property Fund to replace the current system with a new unclaimed property management system. The new system is expected to be a cloud-based software service, which reduces dependency on architectural platforms because the components are supported across different environments that can be integrated and updated. The SCO provides the following outline for project planning and implementation:

- *Consulting and Professional Services: External* – $135,000 in 2022-23, and $90,000 in 2023-24 for independent verification and validation services for project and implementation plans. $208,000 in 2023-24 to support vendor costs for claim scanning workload.

- *Office Equipment* – $3,000 in 2023-24 for two small volume document scanners to digitize incoming claims.

- *Information Technology* –$188,000 in 2022-23 and $563,000 in 2023-24 for the procurement and implementation of a new unclaimed property management system, and $319,000 in 2023-24, $1,647,000 in 2024-25, $1,685,000 in 2025-26, $1,724,000 in 2026-27 and ongoing for continued support of the new system.

STAFF COMMENTS

Regarding the Telework and Healthcare Stipends, the Subcommittee may wish to ask if the Administration anticipates the state's workforce to continue remote work permanently.

Staff Recommendation: Hold Open

ISSUE 18: VETERANS HOME OF CALIFORNIA – YOUNTVILLE EMERGENCY POWER CONNECTIONS

CalVet requests $5,321,000 General Fund in 2022-23 to install transfer switches and upgrade electrical panels in seven residential buildings at the Veterans Home of California-Yountville. Total project costs include design, construction, project management, and associated project fees. This project will allow for temporary emergency generator power connections and protect the health and safety of residents and staff.

PANEL

- Thomas Martin, CalVet
- Andrew Deller, Calvet
- Tim Weber, Department of Finance
- Representative for the Legislative Analyst's Office

BACKGROUND

Background. In June of 2021, an electrical feeder cable providing power to VHC-Yountville failed. At the time, the Napa region was under heatwave conditions and residents in the seven buildings were without air conditioning. CalVet notes that the VHC-Yountville's Domiciliary and Residential Care for the Elderly residents have one or more factors that increase risk of serious illness or death from excessive heat due to the lack of an operational heating ventilation and air conditioning system. Because of the potential risk to the health and safety of the residents living in these seven buildings, CalVet began preparation plans during the blackout to relocate residents to other Homes and outside facilities such as hotels and temporary shelters. Fortunately, the power was restored within approximately 24 hours and these plans were not executed.

CalVet has expressed concerns that over the last few years Napa County and neighboring Sonoma County have experienced increased, intense, and record-breaking wildfires that have resulted in unplanned power outages at the Home and in the local community. To prevent further wildfires during severe weather events in the area, in 2019 Pacific Gas & Electric began to increase the use of Public Safety Power Shutoffs (PSPS) on their energized power lines in Napa County, sometimes shutting off power for days at a time. Although to date only Rector Reservoir has yet been subject to a PSPS event, CalVet believes that the Home will likely experience power outages due to wildfires and PSPS events in the future because of where VHC-Yountville is located, particularly during the hotter summer months when high temperatures and poor air quality from nearby fires will further exacerbate health risks for the residents.

Proposal. CalVet proposes installing transfer switches and upgrading electrical panels in the seven residential buildings without back-up power at VHC-Yountville. According to the Department, these measures would help safeguard the health and safety of the residents occupying those buildings during unplanned power outages. Power to each resident bedroom will allow for the operation of medical equipment such as oxygen concentrators or CPAP machines, power for lighting throughout each building, as well as heating and conditioned air.

STAFF COMMENTS

The Subcommittee may wish to ask the following questions:

1. Following power failures at the Home, has CalVet designed and implemented additional contingency plans to protect the health and safety of residents in case of future incidents?

2. With the use of temporary emergency generator power, how long can the Home be self-sustaining during a power failure?

3. How has CalVet determined the proposed cost for this project?

Staff Recommendation: Hold Open

0855 CALIFORNIA GAMBLING CONTROL COMMISSION

ISSUE 19: ANNUAL LICENSING FEE METHODOLOGY

The Governor's budget includes a request for trailer bill language that would change how specific licensing fees under the jurisdiction of the California Gambling Control Commission are set and modified.

PANEL

- Stacey Luna-Baxter, Executive Director, Gambling Control Commission
- Adrianna Alcala-Beshara, Deputy Director, Legislative and Regulatory Affairs, Gambling Control Commission
- Mark Jimenez, Principal Program Budget Analyst, Department of Finance
- Kevin Clark, Finance Budget Analyst, Department of Finance
- Anita Lee, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

BACKGROUND

The California Gambling Control Commission (CGCC) has regulatory authority over gambling establishments, third-party providers of proposition player services, and certain aspects of Tribal casinos, pursuant to its authority under state law and Tribal-State Gaming Compacts. The Commission also has jurisdiction over gaming policies, regulations, criteria, and standards.

In May of 2019, the State Auditor conducted an audit of both the bureau and the commission. Although most of the Auditor's recommendations focused on the Bureau, the Auditor provided some recommendations for the commission as well. Among its findings, the Auditor determined that the regulatory fees that the commission and bureau charge applicants, card room owners, and third-party company owners do not align with the costs of providing the related services. Specifically, the licensing revenue that the Gambling Fund receives from such fees covers less than half of the cost of processing license applications. In contrast, the other nonlicensing regulatory fees that card room owners and third-party company owners pay far exceed the costs of the related oversight.

Currently, the fee schedule for a state gambling license is established in California law. To address the Auditor's recommendation, the Administration is requesting trailer bill language that would eliminate the fee schedule from statutes, and instead set the fees to be determined by the commission via regulations. The language states that the amount of fees collected must be limited to the reasonable regulatory expenditures of the department and the commission.

STAFF COMMENTS

In June 2021, the Commission conducted and completed a cost and fee analysis. With DOF's approval, the Commission proposed emergency regulations to reduce fees identified for reduction per the cost and fee analysis. However, because some fees are established in statute, such as cardroom fees, the Commission does not have the authority to adjust those fees without statutory changes. If the legislature decides to approve the proposed trailer bill language, the Commission would be able to adjust the corresponding fees via regulations.

The Subcommittee should consider that the trailer bill language would potentially remove legislative oversight over the fees that are currently set in statutes.

The Subcommittee may wish to ask the following questions:

1. What is the methodology that the Commission used to determine fee levels following the Auditor's recommendations?

2. How often does the Commission anticipate adjusting the fees listed in the trailer bill language?

Staff Recommendation: Hold Open

***** PUBLIC COMMENT ******